



**MAQUASSI HILLS  
LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2010**

**Maquassi Hills Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

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**Maquassi Hills L**  
**ANNUAL FINANCIAL STATEMENT**  
for the year ended 31 March 2017

**General information**

**Members of the Council**

Z.M. Moweli  
S.S. Nkatlo  
M.A. Feliti  
O.S. Duffy  
G.J. van Zyl  
D.S. Moshoele  
G.V.Kgabi  
R.I. Tlali  
S.G. Maruping  
M.D. Matete  
M.M.E. Mogoye  
T.K. Lehloo  
G.S. Olifant  
T.S. Selete  
C. van Vuuren

**Municipal Manager**

L. Ralekgetho

**Chief Financial Officer**

C. Wenum

**Grading of Local Authority**

GRADE 5

**Auditors**

Auditor-General  
Northwest Province  
Potchefstroom Offices

**Bankers**

ABSA Bank Limited  
Wolmaransstad

**ocal Municipality**  
**IAL STATEMENTS**  
ed 30 June 2010

**Mayor**

**Speaker**

Member of the Executive Committee

Member of the Executive Committee

Member of the Executive Committee

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

**Maquassi Hills Ltd**  
**ANNUAL FINANCIAL STATEMENT**  
for the year ended 31 March 2016

**General information (continued)**

**Registered Office:**

**Physical address:**

**Postal address:**

**Telephone number:**

**Fax number:**

**E-mail address:**

**ocal Municipality**  
**IAL STATEMENTS**  
ed 30 June 2010

19 Krugerstreet, Wolmaransstad

19 Kruger Street  
Wolmaranstad  
2630

Private Bag X3  
Wolmaransstad  
2630

(018) 596 1067

(018) 596 1555 or (018) 596 2436

wolmuns@lantic.net

**Maquassi Hills Local Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 75, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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Municipal Manager:

*DATE*

| <b>Maquassi Hills Local Municipality</b><br><b>STATEMENT OF FINANCIAL POSITION</b><br>for the year ended 30 June 2010 |             |                    |                    |
|---|-------------|--------------------|--------------------|
|   | <b>Note</b> | <b>2010<br/>R</b>  | <b>2009<br/>R</b>  |
| <b>ASSETS</b>   |             |                    |                    |
| <b>Current assets</b>   |             |                    |                    |
| Cash and cash equivalents   | 1           | 6 775 355          | 20 181 077         |
| Trade and other receivables from exchange transactions  | 2           | 9 024 186          | 86 575 431         |
| Other receivables from non-exchange transactions  | 3           | 3 636 038          | 7 226 523          |
| Inventories   | 4           | 629 173            | 662 380            |
| Investments   | 5           | 28 880 733         | 26 819 034         |
| Current portion of receivables  | 6           | -                  | -                  |
| VAT receivable  | 14          | 11 669 353         | 6 839 879          |
| <b>Non-current assets</b>   |             |                    |                    |
| Non-current receivables   | 6           | -                  | -                  |
| Property, plant and equipment   | 7           | 440 594 236        | 400 178 723        |
| Intangible assets   | 8           | 378 437            | 432 867            |
| Investment property carried at cost   | 9           | -                  | -                  |
| <b>Total assets</b>   |             | <b>501 587 512</b> | <b>548 915 914</b> |
| <b>LIABILITIES</b>  |             |                    |                    |
| <b>Current liabilities</b>  |             |                    |                    |
| Trade and other payables from exchange transactions   | 11          | 48 288 722         | 28 373 340         |
| Consumer deposits   | 12          | 1 432 270          | 1 322 513          |
| VAT payable   | 13          | -                  | 8 759 389          |
| Current provisions  | 15          | 3 532 596          | 755 347            |
| Bank overdraft  | 1           | 9 593 188          | 7 329 744          |
| Current portion of unspent conditional grants and receipts  | 16          | 31 940 968         | 33 952 785         |
| Current portion of borrowings   | 17          | 8 492 632          | 5 877 305          |
| <b>Non-current liabilities</b>  |             |                    |                    |
| Non-current borrowings  | 17          | 50 300 359         | 56 434 370         |
| Employee benefit information  | 52          | 12 946 169         | 12 213 185         |
| <b>Total liabilities</b>  |             | <b>166 526 904</b> | <b>155 017 979</b> |
| <b>Net assets</b>   |             | <b>335 060 609</b> | <b>393 897 935</b> |
| <b>NET ASSETS</b>   |             |                    |                    |
| Accumulated surplus / (deficit)   |             | 335 060 609        | 393 897 936        |
| <b>Total net assets</b>   |             | <b>335 060 609</b> | <b>393 897 936</b> |



**Maquassi Hills Local Municipality**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2010

|   | <b>Note</b> | <b>2010<br/>R</b>   | <b>2009<br/>R</b>  |
|---|-------------|---------------------|--------------------|
| <b>Revenue</b>                            |             |                     |                    |
| Property rates                            | 18          | 16 895 719          | 10 151 898         |
| Service charges                           | 19          | 75 305 589          | 60 846 391         |
| Rental of facilities and equipment        | 20          | 282 395             | 321 831            |
| Interest earned - external investments    | 21          | 2 749 709           | 3 665 259          |
| Interest earned - outstanding receivables | 22          | 9 637 514           | 6 520 701          |
| Fines                                     |             | 8 046 499           | 7 948 975          |
| Dividends                                 |             | 2 859               | 1 747              |
| Licences and permits                      |             | 8 114 076           | 4 271 253          |
| Government grants and subsidies           | 23          | 83 981 277          | 84 560 872         |
| Other income                              | 24          | 1 919 377           | 11 480 633         |
| <b>Total revenue</b>                      |             | <b>206 935 014</b>  | <b>189 769 561</b> |
| <b>Expenses</b>                           |             |                     |                    |
| Employee related costs                    | 25          | 43 047 466          | 37 264 784         |
| Remuneration of councillors               | 26          | 4 231 738           | 4 002 062          |
| Bad debts                                 |             | 110 089 916         | 6 344 473          |
| Depreciation and amortisation expense     | 27          | 21 060 804          | 18 730 820         |
| Repairs and maintenance                   |             | 2 965 518           | 4 364 041          |
| Finance costs                             | 28          | 3 346 321           | 2 238 489          |
| Bulk purchases                            | 29          | 33 035 138          | 20 099 518         |
| Contracted services                       | 30          | 9 091 040           | 5 536 194          |
| General expenses                          | 31          | 38 972 886          | 29 890 318         |
| <b>Total expenses</b>                     |             | <b>265 840 826</b>  | <b>128 470 698</b> |
| Gain / (loss) on sale of assets           | 32          | 68 486              | 252 334            |
| <b>Surplus / (deficit) for the period</b> |             | <b>(58 837 326)</b> | <b>61 551 197</b>  |

## MAQUASSI HILLS LOCAL MUNICIPALITY

### SUMMARY OF ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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#### 1 BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003). These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The Standards comprise the following:

|          |   |
|----------|---|
| GRAP 1   | Presentation of financial statements                            |
| GRAP 2   | Cash flow statements  |
| GRAP 3   | Accounting policies, changes in accounting estimates and errors |
| GRAP 4   | The effect of changes in foreign exchange rates                 |
| GRAP 5   | Borrowing costs   |
| GRAP 6   | Consolidated and separate financial statements                  |
| GRAP 7   | Investment in Associates  |
| GRAP 8   | Interest in joint ventures                                      |
| GRAP 9   | Revenue from exchange transactions                              |
| GRAP 10  | Financial reporting in hyperinflationary economies              |
| GRAP 11  | Construction contracts  |
| GRAP 12  | Inventory   |
| GRAP 13  | Leases  |
| GRAP 14  | Events after reporting date                                     |
| GRAP 16  | Investment property   |
| GRAP 17  | Property, plant and equipment                                   |
| GRAP 19  | Provisions, contingent liabilities and contingent assets        |
| GRAP 100 | Non-current assets held for sale and discontinued operations    |
| GRAP 101 | Agriculture   |
| GRAP 102 | Intangible assets   |

Other standards and pronouncements of other standard setters where a standard of GRAP is not yet effective:

- the Standards of Generally Accepted Municipal Accounting Practice (GAMAP) where applicable;
- International Public Sector Accounting Standards Board (IPSASB).
- International Accounting Standards Board (IASB),

## **1.1 ACCOUNTING STANDARDS THAT ARE EFFECTIVE BUT NOT RELEVANT.**

The following standards are effective but not relevant to the municipality's operations:

GRAP 4: The effects of changes in foreign exchange transactions.

GRAP 6: Consolidated and separate financial statements.

GRAP 7: Investments in associates.

GRAP 8: Interests in joint ventures.

GRAP 10: Financial reporting in hyperinflationary economies

GRAP 11: Construction contracts.

GRAP 101: Agriculture.

A summary of the significant accounting policies, which have been consistently applied, is disclosed below.

## **1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand (ZAR) which is also the functional currency of the municipality and are rounded to the nearest Rand.

## **1.3 GOING CONCERN ASSUMPTION**

These financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

## **1.4 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS**

The presentation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results may differ from these estimates.

All significant judgements and underlying assumptions are reviewed on a constant basis.

Specific areas where these significant estimation uncertainties as well as critical judgements and assumptions were made in the application of accounting policies with the most significant effect in the annual financial statements are included in the following:

### **1.4.1 Trade receivables / held to maturity investments and loans and receivables**

The municipality assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

#### 1.4.2 Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date.

A provision is recognised when:

- The municipality has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

##### 1.4.2.1 Contingent provisions

Contingencies recognised in the current year required estimates and judgements.

#### 1.4.3 Fair value estimation

The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest that is available to the municipality for similar financial instruments.

#### 1.4.4 Allowance for credit losses

On trade and other receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows computed at initial recognition.

#### 1.4.5 Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the fair value assumption may change which may impact our estimations and may then require material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred,

### Impairment testing (cont.)

estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

#### 1.4.6 Effective interest rate

The municipality uses the interest rate utilised by the municipality for any respective month when performing billing, which rate is prime plus one percent, to discount future cash flows.

#### 1.4.7 Available for sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

#### 1.4.8 Allowance for slow moving, damaged or obsolete stock

An allowance to write down stock to the lower of cost or net realisable value is made. These estimates of the selling price and direct cost to sell on certain inventory items is made by management. The write down is included in the operation surplus note.

### 1.5 **COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly

## 2 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS - NEW STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED

### 2.1 PRESENTATION OF FINANCIAL STATEMENTS

#### 2.1.1 Internal Reserves

##### 2.1.1.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. The following provisions are set for the creation, feasibility and utilisation of the CRR:

- The cash funds which back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Municipality.
- The CRR can only be utilised to finance items of property, plant and equipment and may not be used for the maintenance of these items.
- The CRR is reduced and the accumulated surplus/(deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

##### 2.1.1.2 Capitalisation Reserve (CR)

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

##### 2.1.1.3 Government Grant Reserve (GGR)

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government grants reserve equal to the Government grant recorded as revenue in the Statement of Financial Performance.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed through a government grant is disposed off, the balance in the Government grant reserve relating to the item is transferred to the accumulated surplus/(deficit).

##### 2.1.1.4 Donations and public contributions

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance. The purpose of this reserve is to promote

### Donations and public contributions (cont.)

community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment financed from donations and public contributions is disposed of, the balance in the donations and public contributions reserve relating to such item is transferred to the accumulated surplus/(deficit).

All movements in Donations and Public Contributions are reflected in the Statement of Changes in Net Assets.

#### 2.1.1.5 Revaluation Reserve (RR)

The Revaluation Reserve is realised as revalued assets are depreciated, through a transfer from the Revaluation Reserve to the accumulated surplus/(deficit).

On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on re-valued amounts, are credited or charged to the Statement of Financial Performance.

## 2.2 ACCOUNTING STANDARDS AND INTERPRETATIONS THAT ARE EFFECTIVE AND ADOPTED.

### 2.2.1 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset until such time that the asset is ready for its intended use.

The amount of borrowing costs eligible for capitalization is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investments of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalized do not exceed the total borrowing costs incurred.

The capitalization of borrowing costs commences when all the following conditions have been met:

- Expenditure for the asset have been incurred;
- Borrowing costs have been incurred; and
- Activities that are necessary to prepare the asset for its intended use or sale are undertaken.

### Borrowing costs (cont.)

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realizable value, the carrying amount is written down or written off in accordance with the accounting policy on impairment of Assets. In certain circumstances the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred. All other borrowing costs are recognized as an expense in the period in which they are incurred.

## 2.2.2 Revenue from exchange transactions

Revenue from exchange transactions refers to the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets to the other party in exchange.

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### *Measurement*

### 2.2.2.1 Revenue from sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction flow to the municipality, and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.



### Revenue from sale of goods (cont.)

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### 2.2.2.2 Revenue from rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of the transaction can be measured reliably when the following conditions are met:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The stage of completion of the transaction at the reporting date can be measured reliably, and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

Finance income is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a time proportionate basis over the term of the lease agreement.

### 2.2.2.3 Revenue arising from the application of the approved tariffs.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

### 2.2.2.4 Interest, dividends and royalties

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount can be measured reliably.

Interest is recognised in surplus or deficit when the municipality's right to receive payment has been established.

### Interest, dividends and royalties (cont.)

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

#### 2.2.3 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

#### 2.2.3.1 Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

#### 2.2.4 Events after the reporting date

Events after the reporting date are defined as favourable and unfavourable events that occur between the reporting date and the date the annual financial statements are authorised for issue.

The date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

#### 2.2.5 Financial instruments

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

##### *Initial recognition*

Financial instruments are initially recognised at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

##### *Subsequent measurement*

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

##### 2.2.5.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance

#### 2.2.5.2 Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

#### 2.2.5.3 Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### 2.2.5.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recognised at fair value.

#### 2.2.6 Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Trade and other payables from exchange transactions - A financial liability that is not measured at fair value through profit or loss. Stated at their nominal value.

Financial liabilities are classified according to substance of contractual agreements entered into.

##### 2.2.6.1 Gains and losses

Gains and losses arising from changes in financial assets or financial liabilities at amortised cost are recognised in profit and loss when the financial asset or liability is derecognised or impaired through the amortisation process.

##### 2.2.6.2 Employee benefits

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

##### *Post-retirement medical benefits*

Contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds are actuarially valued annually on the projected unit credit method basis due to the cost implication. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

### *Post-retirement medical benefits (cont)*

A provision is maintained in respect of the liability to employees relating to post-retirement benefits, such as medical aid contributions

#### *2.2.6.3 Provision for credit losses*

The provision for credit losses is equivalent to 100% of amounts owed to the municipality categorised as follows:

- 100% of outstanding balance on all inactive accounts as at 30 June of the year under review.
- 100% of outstanding amounts on all indigent accounts as at 30 June of the year under review.
- A percentage equal to the non-payment ratio for the year under review for each debtor account, calculated on the outstanding amount.
- Payment ratios in excess of 100% were utilised as 100% and no provision for credit losses were made in such circumstances,

Impairment is done only on debtor accounts with zonings of Residential and Agricultural.

The provision for credit losses has been deducted from the amount outstanding by debtors at the end of the financial year.

#### *2.2.7 Unauthorised expenditure*

Unauthorised expenditure means:

- Overspending of a vote or a main division within a vote; and
- Expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statements of financial performance.

##### *2.2.7.1 Irregular expenditure*

Irregular expenditure is expenditure that is contrary to the Local Government: Municipal Finance Management Act, (Act No. 56 of 2003), the Municipal Systems Act, (Act No. 32 of 2000), the Public Office Bearers Act, (Act No. 20 of 1998) or the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where subsequently recovered, it is accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified in the current financial year and which was not condoned by National Treasury or the council is recorded in the Register for Irregular

### Irregular expenditure (cont.)

Expenditure. If liability for the expenditure can be attributed to a person, a debt account is created for that person. Steps are then taken to recover the amount from the person. If recoverability is not possible, the accounting officer or council may write off the amount as debt impairment and disclose the details properly in the notes to the financial statements.

#### 2.2.7.2 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where subsequently recovered, it is accounted for as revenue in the Statement of Financial Performance

#### 2.2.8 Related parties

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

Key management personnel, and close members of the family of key management personnel;

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

##### 2.2.8.1 Key Management Personnel

Key management personnel include all directors or members of the municipal council of the reporting entity where that council has the authority. The council, together with the Municipal Manager and Section 57 employees has the authority and responsibility to plan and control the activities of the entity, to manage the resources of the entity and for the overall achievement of entity objectives. Therefore, key management personnel will include the Municipal Manager, Deputy Municipal Managers and Chief Financial Officer of the reporting entity.

#### 2.2.9 Inventories

##### 2.2.9.1 Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### *2.2.9.2 Subsequent measurement*

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method (F.I.F.O).

The municipality has disclosed the full value of water stock as at year end. Cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Consumables are written down with regard to their age, condition and utility.

Unsold properties for the purpose of resale are accounted for as inventory. The fair value was determined by the appointed Municipal Valuer per the Valuation Roll that came into effect on 1 July 2009. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs if the costs occur frequently and are separately identifiable.

The municipality has disclosed the full value of water stock as at year end. Cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Consumables are written down with regard to their age, condition and utility.

Unsold properties for the purpose of resale are accounted for as inventory. The fair value was determined by the appointed Municipal Valuer per the Valuation Roll that came into effect on 1 July 2009. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs if the costs occur frequently and are separately identifiable.

## 2.2.10 Leases

### *Finance leases*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognized at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognized at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest.

In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

### *Operating leases*

Operating leases are those leases that do not fall within the scope of the above definition.

Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

## 2.2.11 Investment property

### *2.2.11.1 Initial measurement*

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at fair value once it meets the definition of investment property. The fair value is determined by the Municipal Valuer on an annual basis. Where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.



### 2.2.11.2 Subsequent measurement – Fair value model

Investment property is measured using the fair value model.

### 2.2.12 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, are owner-occupied and are expected to be used during more than one period.

Property, plant and equipment are recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- The cost of the item can be measured reliably.

Property, plant and equipment are measured at cost, less accumulated depreciation and any impairment losses, except in the case of land and buildings, where the properties are valued by the municipal valuer on an annual basis. The market value allocated to these properties is split between land and buildings resulting from the indefinite useful life of land. These properties are stated at fair value less depreciation in the case of buildings and fair value in the case of land. Land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value; its cost is measured at the carrying amount of the asset given up.

The cost of an item of property, plant and equipment comprises of its purchase price, including other costs attributable to bring the asset to the location and condition necessary for it to be capable in the manner intended by management. Trade discounts import duties and non-refundable purchase taxes and any directly attributable costs

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the original best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Where an item of property, plant and equipment is acquired at no cost, it is initially recognised at its fair value as at the date of acquisition. Incomplete construction work is stated at historical cost and depreciated only when the asset is commissioned into use.

Depreciation is calculated on the depreciable amount (cost less residual value), using the straight line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

| <b>Component</b>                                      | <b>Estimated lifespan</b> |   |    |
|---|---------------------------|---|----|
| <b>Land</b>   |                           |   |    |
| Developed land  | N/A                       |   |    |
| Undeveloped land                                      | N/A                       |   |    |
| <b>Buildings</b>                                      |                           |   |    |
| <b>Dwellings</b>                                      |                           |   |    |
| Caravans  | 5                         | - | 10 |
| Children's homes                                      | 25                        | - | 30 |
| Homes for the aged                                    | 25                        |   | 30 |
| Hostels   | 25                        | - | 30 |
| Military personnel dwellings                          | 25                        | - | 30 |
| Mobile homes  | 5                         | - | 10 |
| Places of safety (children)                           | 25                        | - | 30 |
| Prisons and rehabilitation facilities                 | 25                        | - | 30 |
| Residences (presidential, embassies)                  | 25                        | - | 30 |
| Residences (personnel) include garages and parking    | 25                        | - | 30 |
| Secure care centres                                   | 25                        | - | 30 |
| <b>Non Residential Dwellings</b>                      |                           |   |    |
| Airport and associated buildings                      | 25                        | - | 30 |
| Bus terminals   | 25                        | - | 30 |
| Bus shelters  | 10                        | - | 15 |
| Clinics and community health facilities               | 25                        | - | 30 |
| Community centres and public entertainment buildings  | 25                        | - | 30 |
| Driver and vehicle testing centres                    | 25                        | - | 30 |
| Fire stations   | 25                        | - | 30 |
| Hospitals and ambulance stations                      | 25                        | - | 30 |
| Industrial buildings                                  | 20                        | - | 30 |
| Libraries   | 25                        | - | 30 |
| Mortuaries  | 25                        | - | 30 |
| Office buildings (including air conditioning systems) | 25                        | - | 30 |
| Public parking (covered and open)                     | 25                        | - | 30 |
| Stadiums  | 25                        | - | 30 |
| Taxi ranks  | 10                        | - | 15 |
| Warehouses (storage facilities, including data)       | 25                        | - | 30 |
| <b>Other Structures (Infrastructure Assets)</b>       |                           |   |    |
| <b>Electricity</b>                                    |                           |   |    |
| Cooling towers  | 25                        | - | 30 |
| Mains   | 15                        | - | 20 |
| <b>Meters</b>   |                           |   |    |
| Prepaid   | 10                        | - | 20 |
| Credit  | 20                        | - | 25 |
| <b>Power stations</b>                                 |                           |   |    |
| Coal  | 50                        | - | 60 |
| Supply/reticulation                                   | 15                        | - | 25 |
| Transformers  | 25                        | - | 60 |
| <b>Lines</b>  |                           |   |    |
| Underground   | 25                        | - | 45 |
| Overhead  | 20                        | - | 30 |
| Cables  | 25                        | - | 45 |

|  |    |   |     |
|--|----|---|-----|
| Substations  | 20 | - | 60  |
| Switchgear   | 20 | - | 30  |
| <b>Equipment</b>   |    |   |     |
| Outdoor  | 20 | - | 30  |
| GIS  | 15 | - | 30  |
| Indoor   | 30 | - | 40  |
| Electrical panels  | 3  | - | 5   |
| Telemetry  | 7  | - | 15  |
| <b>Roads (Roads, Pavements, Bridges &amp; Storm Water)</b> |    |   |     |
| <b>Bridges</b>   |    |   |     |
| Bridges - Concrete   | 60 | - | 80  |
| Bridges – Steel  | 40 | - | 50  |
| Bridges - Timber   | 25 | - | 40  |
| <b>Pedestrian</b>  |    |   |     |
| Bridges - Concrete   | 60 | - | 80  |
| Bridges – Steel  | 40 | - | 50  |
| Bridges – Timber   | 25 | - | 40  |
| <b>Reinforced retaining walls</b>                          |    |   |     |
| Earth  | 10 | - | 15  |
| Concrete   | 25 | - | 30  |
| Expansion and construction joints                          | 15 | - | 20  |
| <b>Storm Water</b>   |    |   |     |
| Culverts   | 25 | - | 40  |
| Concrete   | 40 | - | 60  |
| Armco  | 25 | - | 40  |
| <b>Drains</b>  |    |   |     |
| Earthworks   | 80 | - | 100 |
| Concrete lining  | 25 | - | 50  |
| Stop banks   | 40 | - | 50  |
| Pipes  | 25 | - | 50  |
| Storm water outfalls                                       | 60 | - | 80  |
| <b>Roads</b>   |    |   |     |
| Kerb and channels  | 20 | - | 55  |
| Municipal roads Asphalt surface                            | 10 | - | 20  |
| Asphalt layer  | 20 | - | 55  |
| Concrete surface   | 10 | - | 30  |
| Concrete layer   | 20 | - | 55  |
| Gravel surface   | 3  | - | 20  |
| Crash barriers   | 10 | - | 30  |
| Retaining walls  | 20 | - | 60  |
| Overload control centres                                   | 15 | - | 20  |
| Electronic hardware  | 10 | - | 15  |
| Other equipment  | 10 | - | 20  |
| Street lighting  | 20 | - | 55  |
| Traffic islands  | 40 | - | 50  |
| Traffic lights   | 15 | - | 20  |
| Traffic signs  | 5  | - | 15  |
| <b>Airports</b>  |    |   |     |
| Runways  | 15 | - | 20  |

|   |    |   |     |
|---|----|---|-----|
| Taxiways  | 15 | - | 20  |
| <b>Water</b>  |    |   |     |
| Dams: Structure                                       |    |   |     |
| - concrete  | 80 | - | 100 |
| - earth   | 30 | - | 50  |
| Mechanical and electrical                             | 10 | - | 40  |
| Meters  | 10 | - | 20  |
| Standpipes  | 5  | - | 20  |
| Metalwork (steel stairs, ladders, handrails, weirs) 1 | 0  | - | 30  |
| <b>Pump stations</b>                                  |    |   |     |
| Structure   | 20 | - | 55  |
| Electrical  | 10 | - | 40  |
| Mechanical  | 10 | - | 40  |
| Perimeter protection                                  | 10 | - | 25  |
| <b>Reservoirs</b>                                     |    |   |     |
| Structure   | 20 | - | 50  |
| Electrical  | 10 | - | 40  |
| Mechanical  | 10 | - | 40  |
| Perimeter protection                                  | 10 | - | 25  |
| Supply/reticulation                                   | 20 | - | 55  |
| <b>Underground chambers</b>                           |    |   |     |
| Valves  | 10 | - | 25  |
| Meters  | 10 | - | 20  |
| Transition  | 10 | - | 15  |
| Other   | 5  | - | 10  |
| <b>Water purification works</b>                       |    |   |     |
| Structure   | 20 | - | 55  |
| Electrical  | 15 | - | 40  |
| Mechanical  | 15 | - | 40  |
| Perimeter protection                                  | 10 | - | 25  |
| Meters  | 10 | - | 15  |
| Telemetry   | 10 | - | 15  |
| <b>Sewerage</b>                                       |    |   |     |
| Bulk pipelines (outfall sewers)                       |    |   |     |
| Rising mains  | 20 | - | 50  |
| Gravity mains   | 20 | - | 50  |
| <b>Sewerage pump stations</b>                         |    |   |     |
| Structure   | 20 | - | 55  |
| Electrical  | 15 | - | 40  |
| Mechanical  | 15 | - | 40  |
| Perimeter protection                                  | 10 | - | 25  |
| Metalwork   | 10 | - | 30  |
| Sewers/reticulation                                   | 20 | - | 60  |
| <b>Waste purification works</b>                       |    |   |     |
| Structure   | 20 | - | 55  |
| Electrical  | 15 | - | 40  |
| Mechanical  | 15 | - | 40  |
| Perimeter protection                                  | 10 | - | 25  |
| Meters  | 10 | - | 15  |

**Solid Waste Disposal**

## Collection

|                 |    |   |    |
|-----------------|----|---|----|
| Vehicles        | 5  | - | 10 |
| Containers/Bins | 10 | - | 15 |

**Landfill site**

|                                      |    |   |    |
|--------------------------------------|----|---|----|
| Earthmoving and compaction equipment | 10 | - | 15 |
|--------------------------------------|----|---|----|

**Weighbridge**

|                      |    |   |    |
|----------------------|----|---|----|
| Mechanical           | 15 | - | 40 |
| Electrical           | 15 | - | 40 |
| Perimeter protection | 10 | - | 25 |

**Railways**

|                    |    |   |    |
|--------------------|----|---|----|
| Power supply units | 25 |   | 30 |
| Railway sidings    | 25 | - | 30 |
| Railway tracks     | 15 | - | 20 |
| Signalling systems | 15 |   | 20 |
| Shunting yards     | 25 |   | 30 |

**Stations**

|                     |    |   |    |
|---------------------|----|---|----|
| Trunk receiving     | 40 | - | 50 |
| District regulating | 40 | - | 50 |
| Mains/pipelines     | 15 | - | 20 |
| Meters              | 15 | - | 20 |
| Storage facilities  | 15 | - | 20 |
| Supply/reticulation | 15 | - | 20 |
| Cemeteries          | 25 | - | 30 |

**Other Machinery and Equipment**

|  |    |   |    |
|--|----|---|----|
| Audiovisual equipment  | 5  | - | 10 |
| Building air conditioning systems  | 5  | - | 10 |
| Cellular phones (over R5 000)  | 0  | - | 2  |
| Cellular routers   | 3  | - | 5  |
| Domestic equipment (non kitchen appliances))   | 3  | - | 5  |
| Electric wire and power distribution equipment<br>(compressors, generators & allied equipment) | 5  | - | 7  |
| Emergency/rescue equipment   | 5  | - | 10 |
| Elevator systems   | 15 | - | 20 |
| Farm/Agricultural equipment  | 5  | - | 15 |
| Fire Fighting equipment  | 3  | - | 5  |
| Fencing  | 5  | - | 25 |
| Gardening equipment  | 2  | - | 4  |
| Irrigation equipment   | 10 | - | 15 |
| Kitchen appliances   | 5  | - | 10 |
| Laboratory equipment - Agricultural  | 5  | - | 7  |
| - Medical testing  | 5  | - | 7  |
| - Roads and transport  | 5  | - | 7  |
| Laundry equipment and industrial sewing machines   | 10 | - | 15 |
| Learning, training support and library material  | 5  | - | 10 |
| Machines for metallurgy  | 5  | - | 10 |
| Machines for mining and quarrying  | 5  | - | 10 |
| Machines for textile production  | 10 | - | 15 |
| Medical and allied equipment   | 5  | - | 10 |

|  |    |   |    |
|--|----|---|----|
| Music instruments                                      | 10 | - | 15 |
| Photographic equipment                                 | 5  | - | 10 |
| Pumps, plumbing, purification and sanitation equipment | 5  | - | 10 |
| Radio equipment  | 5  | - | 7  |
| Road construction and maintenance equipment            | 10 | - | 15 |
| Saddles and other tack                                 | 5  | - | 7  |
| Security equipment/systems/ materials - Fixed          | 3  | - | 5  |
| - Movable  | 3  | - | 5  |
| Sport and recreational equipment                       | 5  | - | 10 |
| Survey equipment                                       | 5  | - | 7  |
| Telecommunication equipment                            | 3  | - | 10 |
| Tents, flags and accessories                           | 5  | - | 10 |
| Woodworking machinery and equipment                    | 5  | - | 10 |
| Workshop equipment and loose tools - Fixed             | 5  | - | 10 |
| - Movable  | 3  | - | 5  |
| <b>Furniture And Office Equipment</b>                  |    |   |    |
| Advertising boards                                     | 3  | - | 5  |
| Air conditioners (individual fixed & portable)         | 3  | - | 5  |
| Cutlery and crockery                                   | 5  | - | 10 |
| Domestic and hostel furniture                          | 10 | - | 15 |
| Linen and soft furnishings                             | 5  | - | 10 |
| Office equipment (including fax machines)              | 5  | - | 7  |
| Office furniture                                       | 5  | - | 7  |
| Paintings, sculptures, ornaments (home and office)     | 5  | - | 10 |
| <b>Computer Equipment</b>                              |    |   |    |
| Computer hardware including operating systems          | 3  | - | 5  |
| Networks   | 5  | - | 10 |
| <b>Transport Assets</b>                                |    |   |    |
| Aircraft   | 10 | - | 15 |
| Aircraft engines                                       | 5  | - | 7  |
| Airport transport equipment (stairs and luggage)       | 10 | - | 15 |
| Busses   | 10 | - | 15 |
| Cycles   | 4  | - | 7  |
| Emergency vehicles (Ambulances and fire engines)       | 5  | - | 10 |
| Mobile clinics   | 10 | - | 15 |
| Motor vehicles   | 4  | - | 7  |
| Trailers and accessories                               | 5  | - | 10 |
| Trucks   | 5  | - | 7  |
| <b>Intangible Assets</b>                               |    |   |    |
| Computer software                                      | 2  | - | 5  |

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. These components are:

| <u>Item</u>          | <u>Useful life</u> |
|----------------------|--------------------|
| Property – land      | indefinite         |
| Property – buildings | 20 - 30 years      |

### Property, plant and Equipment (cont.)

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or losses arising from derecognition of an item of property, plant and equipment is included in the surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

#### 2.2.12.1 Disposal of property, plant and equipment

- The carrying values of assets are written off on disposal.
- The difference between the net book value of assets (cost less accumulated depreciation) and
- The sales proceeds are reflected as a gain or loss in the Statement of Financial Performance.

### 2.2.13 Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance held for use in the production or supply of goods and services, for rentals to others, or for administrative purposes.

Intangible assets comprise software and servitudes, and are shown at cost, less accumulated amortisation and accumulated impairment losses.

Intangible assets are initially recorded at their cost price and subsequently amortised over their expected useful lives. The intangible assets under the control of the Municipality are amortised according to the straight-line method.

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- The cost or fair value of the asset can be measured reliably.

Costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that is clearly associated with an identifiable and unique product, which will be controlled by the group and have a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset. Associated costs include staff costs of the development team and an appropriate portion of relevant overheads.

Expenditure which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

Research and development expenditure is written off as incurred.

#### 2.2.13.1 Measurement

After initial recognition, an intangible asset is carried at its cost less any accumulated impairment losses and amortisation. Amortisation is charged on a straight-line basis over the useful life which is estimated to be between 3 and 5 years. The useful life of an intangible asset is the period over which that asset is expected to be available for use. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, but are tested for impairment annually and impaired if necessary.

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

The estimated useful life and amortisation methods are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively. Intangible assets are recognised at cost. Cost is defined as the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire the asset at the



### Intangible assets (cont.)

time of its acquisition or construction. Only cost incurred on computer software and websites that meet the definition of an intangible asset are recognized.

The gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The carrying values of items of property, plant and equipment have not been adjusted with impairment losses as no impairment testing was done. The useful lives and residual values of assets classified as property, plant and equipment were not reviewed during the year under review.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

No property was classified and disclosed as investment property. Land and buildings, in some instances are recognised as items of property, plant and equipment.

#### 2.2.14 Provisions, contingent liabilities and contingent assets

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where some or all of the expenditure required for settling a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is being treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision.

### Provisions, contingent liabilities and contingent assets (cont.)

Provisions are not recognised for future operating losses.

The present obligation under an onerous contract is recognised and measured as a provision.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

#### 2.2.15 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from date of classification.

Non-current assets held for sale are measured at the lower of its carrying value and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus and deficit.

#### 2.2.16 Impairment of cash-generating assets

Assets that are subject to impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

An impairment loss is recognised if the amount of the asset is less than its carrying amount.

The impairment loss is recognised as an expense in the statement of financial performance.

#### 2.2.17 Impairment of non-cash generating assets

Non-cash generating assets are those assets other than cash-generating assets.

Servitude will only become impaired if the line to which the servitude is linked is derecognised.

The municipality intends to take full advantage of the period of the transitional provisions. Due to the transitional provisions under the Standard of GRAP on Property, Plant and Equipment, certain assets have not been recognised as Property, Plant and Equipment and due to the non-recognition of such assets, the requirements of the Standard on Provisions,

### Impairment of non-cash generating assets (cont.)

Contingent Liabilities and Contingent assets have not been applied until the expiration the Property, Plant and Equipment transitional provisions.

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where some or all of the expenditure required for settling a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision.

Provisions are not recognised for future operating losses.

The present obligation under an onerous contract is recognised and measured as a provision.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Where some or all of the expenditure required settling a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and

### Impairment of non-cash generating assets (cont.)

- the amount initially recognised less cumulative amortisation.

## 2.2.18 Conditional grants and receipts

### *2.2.18.1 Grants and receipts of capital nature*

When items of property, plant and equipment are financed from government grants, a transfer is made from the Accumulated Surplus/Deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the Accumulated Surplus/Deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

Government grants are recognised when there is reasonable assurance that:

- the municipality will comply with the conditions attaching to them; and
- the grants will be received.

### *2.2.18.2 Grants and receipts of a revenue nature*

Income is transferred to the Statement of Financial Performance as revenue to the extent that the criteria, conditions or obligations have been met.

A government grant that becomes receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the entity with no future related costs are recognised as income of the period in which it becomes receivable.

## 2.2.19 Risk Management

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security beside that of consumer deposits.

### *2.2.19.1 Capital risk management*

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

#### *2.2.19.2 Financial risk management*

The municipality's activities expose it to a variety of financial risks: local economic environment, market forces, cash flow interest rate risk and price risk, credit risk and liquidity risk.

#### *2.2.19.3 Liquidity risk management*

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

#### *2.2.19.4 Interest rate risk management*

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

#### *2.2.19.5 Credit risk management*

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. The main risk is represented by the deterioration of on-time collection of property taxes and service charges.

**Maquassi Hills Local Municipality**  
**STATEMENT OF CHANGES IN NET ASSETS**  
for the year ended 30 June 2010

|   | Government<br>Grant Reserve | Capitalisation<br>Reserve | Capital<br>Replacement<br>Reserve | Housing<br>Development<br>Fund | Total: Reserves    | Accumulated<br>Surplus/(Deficit) | Total: Net Assets  |
|---|-----------------------------|---------------------------|-----------------------------------|--------------------------------|--------------------|----------------------------------|--------------------|
| Note  | R                           | R                         | R                                 | R                              | R                  | R                                | R                  |
| <b>Balance at 30 June 2008</b>  | <b>297 274 309</b>          | <b>627 001</b>            | 3 939 537                         | 667 131                        | 302 507 978        | 43 037 420                       | 345 545 398        |
| Changes in accounting policy  |                             |                           |                                   |                                | -                  |                                  | -                  |
| Correction of prior period error  |                             |                           |                                   |                                | -                  | (985 473)                        | (985 473)          |
| <b>Restated balance</b>   | <b>297 274 309</b>          | <b>627 001</b>            | <b>3 939 537</b>                  | <b>667 131</b>                 | <b>302 507 978</b> | <b>42 051 947</b>                | <b>344 559 925</b> |
| Surplus / (deficit) on revaluation of property of property, plant and equipment |                             |                           |                                   |                                | -                  |                                  | -                  |
| Property plant and equipment purchases  | 44 174 678                  |                           | (8 442 613)                       |                                | 35 732 066         | (35 732 066)                     | -                  |
| Depreciation  | (15 098 698)                | (51 798)                  |                                   |                                | (15 150 496)       | 15 150 496                       | -                  |
| Sale of asset   | (15 046)                    |                           |                                   |                                | (15 046)           | 15 046                           | -                  |
| Depreciation on sale of asset   |                             |                           |                                   |                                | -                  | -                                | -                  |
| Net gains and losses not recognised in the statement of financial performance   |                             |                           |                                   |                                | -                  | -                                | -                  |
| Adjustment accumulated surplus/(deficit)-employee benefits                      |                             |                           |                                   |                                |                    | (12 213 185)                     | (12 213 185)       |
| Transfers to / from accumulated surplus/(deficit)                               |                             |                           | 4 503 075                         |                                | 4 503 075          | (4 503 075)                      | -                  |
| Surplus / (deficit) for the period  |                             |                           |                                   |                                | -                  | 61 551 195                       | 61 551 195         |
| <b>Balance at 30 June 2009</b>  | <b>326 335 244</b>          | <b>575 202</b>            | <b>-</b>                          | <b>667 131</b>                 | <b>327 577 576</b> | <b>66 320 358</b>                | <b>393 897 935</b> |
| Surplus / (deficit) on revaluation of property of property, plant and equipment |                             |                           |                                   |                                | -                  |                                  | -                  |
| Property plant and equipment purchases  | 34 083 407                  |                           | (12 026 251)                      |                                | 22 057 156         | (22 057 156)                     | -                  |
| Depreciation  | (16 264 181)                | (51 138)                  |                                   |                                | (16 315 319)       | 16 315 319                       | -                  |
| Sale of asset   | -                           | (13 102)                  |                                   |                                | (13 102)           | 13 102                           | -                  |
| Depreciation on sale of asset   |                             |                           |                                   |                                | -                  | -                                | -                  |
| Net gains and losses not recognised in the statement of financial performance   |                             |                           |                                   |                                | -                  | -                                | -                  |
| Transfers to / from accumulated surplus/(deficit)                               |                             |                           | 12 026 251                        |                                | 12 026 251         | (12 026 251)                     | -                  |
| Surplus / (deficit) for the period  |                             |                           |                                   |                                | -                  | (58 837 326)                     | (58 837 326)       |
| <b>Balance at 30 June 2010</b>  | <b>344 154 469</b>          | <b>510 962</b>            | <b>-</b>                          | <b>667 131</b>                 | <b>345 332 562</b> | <b>(10 271 954)</b>              | <b>335 060 609</b> |

| <b>Maquassi Hills Local Municipality</b><br><b>CASH FLOW STATEMENT</b><br>for the year ended 30 June 2010 |             |                     |                     |
|---|-------------|---------------------|---------------------|
|   | <b>Note</b> | <b>2010<br/>R</b>   | <b>2009<br/>R</b>   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |             |                     |                     |
| Receipts  |             | 151 607 920         | 135 842 668         |
| Sales of goods and services   |             | 49 003 958          | 27 635 442          |
| Grants  |             | 80 414 144          | 84 560 872          |
| Interest received   |             | 2 749 709           | 3 665 259           |
| Other receipts  |             | 19 440 109          | 19 981 095          |
| Payments  |             | 136 609 870         | 96 179 932          |
| Employee costs  |             | 47 648 020          | 31 687 089          |
| Suppliers   |             | 85 615 529          | 62 254 354          |
| Interest paid   |             | 3 346 321           | 2 238 489           |
| <b>Net cash flows from operating activities</b>   | <b>33</b>   | <b>14 998 050</b>   | <b>39 662 736</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |             |                     |                     |
| Purchase of fixed assets  |             | (27 080 046)        | (85 019 238)        |
| Proceeds from sale of fixed assets  |             | (68 486)            |                     |
| <b>Net cash flows from investing activities</b>   |             | <b>(27 148 532)</b> | <b>(85 019 238)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |             |                     |                     |
| Proceeds from borrowings  |             | -                   | 56 000 000          |
| Repayment of borrowings   |             | (3 518 684)         | (1 022 123)         |
| <b>Net cash flows from financing activities</b>   |             | <b>(3 518 684)</b>  | <b>54 977 877</b>   |
| <b>Net increase / (decrease) in net cash and cash equivalents</b>   |             | <b>(15 669 166)</b> | <b>9 621 375</b>    |
| <b>Net cash and cash equivalents at beginning of period</b>   |             | <b>12 851 333</b>   | <b>3 229 958</b>    |
| <b>Net cash and cash equivalents at end of period</b>   | <b>34</b>   | <b>(2 817 833)</b>  | <b>12 851 333</b>   |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|   | 2010<br>R          | 2009<br>R          |
|---|--------------------|--------------------|
| <b>1 CASH AND CASH EQUIVALENTS</b>                                  |                    |                    |
| Cash and cash equivalents consist of the following:                 |                    |                    |
| Cash on hand  | 7 282              | 5 432              |
| Cash at bank  | 6 768 073          | 20 175 645         |
|   | <u>6 775 355</u>   | <u>20 181 077</u>  |
| The Municipality has the following bank accounts: -                 |                    |                    |
| <b><u>Current Account (Primary Bank Account)</u></b>                |                    |                    |
| ABSA Bank Limited<br>Account No. 4055605473<br>Branch Code:634540   |                    |                    |
| Cash book balance at beginning of year                              | <u>(7 329 744)</u> | <u>(8 749 480)</u> |
| Cash book balance at end of year                                    | <u>(9 593 188)</u> | <u>(7 329 744)</u> |
| Bank statement balance at beginning of year                         | <u>948 099</u>     | <u>(2 593 317)</u> |
| Bank statement balance at end of year                               | <u>293 696</u>     | <u>948 099</u>     |
| <b><u>Current Account (Other Account)(TMT)</u></b>                  |                    |                    |
| ABSA Bank Limited<br>Account No. 406154689<br>Branch Code:634540    |                    |                    |
| Cash book balance at beginning of year                              | <u>555 173</u>     | <u>245 748</u>     |
| Cash book balance at end of year                                    | <u>381 297</u>     | <u>555 173</u>     |
| Bank statement balance at beginning of year                         | <u>555 173</u>     | <u>727 224</u>     |
| Bank statement balance at end of year                               | <u>381 297</u>     | <u>555 173</u>     |
| <b><u>Current Account (Other Account)(Bank Account Traffic)</u></b> |                    |                    |
| ABSA Bank Limited<br>Account No. 4050989969<br>Branch Code:634540   |                    |                    |
| Cash book balance at beginning of year                              | <u>994 350</u>     | <u>623 475</u>     |
| Cash book balance at end of year                                    | <u>1 112 674</u>   | <u>994 350</u>     |
| Bank statement balance at beginning of year                         | <u>852 807</u>     | <u>574 540</u>     |
| Bank statement balance at end of year                               | <u>363 654</u>     | <u>852 807</u>     |



**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|  | 2010<br>R                  | 2009<br>R               |                          |
|--|----------------------------|-------------------------|--------------------------|
| <b>1 CASH AND CASH EQUIVALENTS (cont.)</b>                         |                            |                         |                          |
| <b><u>Current Account (Other Account)(PMU)</u></b>                 |                            |                         |                          |
| ABSA Bank Limited<br>Account No. 4064023765<br>Branch Code:634540  |                            |                         |                          |
| Cash book balance at beginning of year                             | 16 400 161                 | 10 919 326              |                          |
| Cash book balance at end of year                                   | 4 564 214                  | 16 400 161              |                          |
| Bank statement balance at beginning of year                        | 23 488 644                 | 20 537 061              |                          |
| Bank statement balance at end of year                              | 4 892 082                  | 23 488 644              |                          |
| <b><u>Current Account (Other Account)(Future Development)</u></b>  |                            |                         |                          |
| ABSA Bank Limited<br>Account No. 40644584280<br>Branch Code:634540 |                            |                         |                          |
| Cash book balance at beginning of year                             | 2 225 961                  | 185 456                 |                          |
| Cash book balance at end of year                                   | 709 888                    | 2 225 961               |                          |
| Bank statement balance at beginning of year                        | 2 225 961                  | 185 456                 |                          |
| Bank statement balance at end of year                              | 8 888                      | 2 225 961               |                          |
| <b>CASH AND CASH EQUIVALENTS</b>                                   |                            |                         |                          |
| <b><u>Cash on hand</u></b>   | 7 282                      | 5 432                   |                          |
| Total cash and cash equivalents                                    | 6 768 073                  | 20 175 645              |                          |
| Total bank overdraft   | (9 593 188)                | (7 329 744)             |                          |
| <b>2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>    |                            |                         |                          |
| <b><u>Trade receivables</u></b><br><b>as at 30 June 2010</b>       | <b>Gross Balance<br/>R</b> | <b>Impairment<br/>R</b> | <b>Net Balance<br/>R</b> |
| <u>Service debtors</u>   |                            |                         |                          |
| Property Rates   | 13 486 581                 | (11 734 475)            | 1 752 106                |
| Electricity  | 4 118 847                  | (1 433 206)             | 2 685 641                |
| Water  | 47 374 972                 | (45 495 406)            | 1 879 567                |
| Sewerage   | 35 955 909                 | (34 683 308)            | 1 272 601                |
| Refuse   | 20 132 275                 | (19 598 038)            | 534 238                  |
| <b>Total</b>   | <b>121 068 585</b>         | <b>(112 944 433)</b>    | <b>8 124 152</b>         |
| <b><u>Other receivables</u></b>                                    | 15 770 294                 | (14 870 260)            | 900 035                  |
| <b>Other receivables</b>   | <b>15 770 294</b>          | <b>(14 870 260)</b>     | <b>900 035</b>           |
| <b>as at 30 June 2009</b>  |                            |                         |                          |
| <u>Service debtors</u>   |                            |                         |                          |
| Property Rates   | 10 397 288                 | (2 164 904)             | 8 232 384                |
| Electricity  | 4 644 610                  | (1 194 523)             | 3 450 087                |
| Water  | 31 152 726                 | (5 841 676)             | 25 311 050               |
| Sewerage   | 25 697 253                 | (5 138 056)             | 20 559 197               |
| Refuse   | 14 828 158                 | (3 387 312)             | 11 440 846               |
| <b>Total</b>   | <b>86 720 037</b>          | <b>(17 726 472)</b>     | <b>68 993 565</b>        |
| <b><u>Other receivables</u></b>                                    | 17 581 867                 |                         | 17 581 867               |
| <b>Other receivables</b>   | <b>17 581 867</b>          | <b>-</b>                | <b>17 581 867</b>        |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|   | 2010<br>R         | 2009<br>R              |
|---|-------------------|------------------------|
| <b>2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (cont.)</b> |                   |                        |
| <b><u>Ageing as at 30 June 2010</u></b>                                 |                   |                        |
|   | Rates             | Sewerage,<br>Cleansing |
| Current (0 – 30 days)   | 1 384 265         | 11 923 819             |
| 31 - 60 Days  | 395 233           | 4 148 607              |
| 61 - 90 Days  | 414 555           | 4 057 079              |
| 91+ Days  | 11 053 921        | 87 452 498             |
| Total   | <b>13 247 974</b> | <b>107 582 004</b>     |

**Ageing as at 30 June 2009**

|                       |                   |                        |                   |
|-----------------------|-------------------|------------------------|-------------------|
|                       | Rates             | Sewerage,<br>Cleansing | Other             |
| Current (0 – 30 days) | 87 854            | 173 585                | 1 289 532         |
| 31 - 60 Days          | 993 722           | 9 637 472              | 987 545           |
| 61 - 90+ Days         | 9 349 451         | 60 167 646             | 21 615 096        |
| Total                 | <b>10 431 027</b> | <b>69 978 704</b>      | <b>23 892 173</b> |

**Impairment criteria**

Impairment is done on debtor accounts with zonings of Residential and Agriculture.

Impairment is calculated as follows:

- 100% of outstanding balance on all inactive accounts as at 30 June of the year under review.
- 100% of outstanding amounts on all indigent accounts as at 30 June of the year under review.
- a percentage equal to the non-payment for the year under review for each debtor account, calculated on the outstanding amount.

**Ageing as at 30 June 2010**

|   | Consumers<br>R   | Industrial /<br>Commercial<br>R | National and<br>Provincial<br>Government<br>R |
|---|------------------|---------------------------------|---|
| <b><u>Summary of Debtors by Customer Classification</u></b> |                  |                                 |   |
| Total debtors by customer classification                    | 131 785 305      | 3 127 403                       | 1 926 171                                     |
| Less: Provision for doubtful debts                          | (127 814 693)    |                                 |   |
| <b>Total debtors by customer classification</b>             | <b>3 970 612</b> | <b>3 127 403</b>                | <b>1 926 171</b>                              |

**Ageing as at 30 June 2009**

|   | Consumers<br>R      | Industrial /<br>Commercial<br>R | National and<br>Provincial<br>Government<br>R |
|---|---------------------|---------------------------------|---|
| <b><u>Summary of Debtors by Customer Classification</u></b> |                     |                                 |   |
| Total debtors by customer classification                    | 100 172 950         | 2 599 598                       | 1 529 356                                     |
| Less: Provision for doubtful debts                          | (112 684 514)       |                                 | (259 919)                                     |
| <b>Total debtors by customer classification</b>             | <b>(12 511 564)</b> | <b>2 599 598</b>                | <b>1 269 437</b>                              |

**Movement in provision for credit losses**

|  | 2010               | 2009              |
|--|--------------------|-------------------|
| Balance at beginning of the year             | 17 726 472         | 16 814 601        |
| Contributions to provision                   | 110 089 916        | 6 344 473         |
| Doubtful debts written off against provision | (1 695)            | (5 432 601)       |
| Reversal of provision                        | -                  | -                 |
| <b>Balance at end of year</b>                | <b>127 814 693</b> | <b>17 726 472</b> |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|   | 2010<br>R         | 2009<br>R                   |
|---|-------------------|-----------------------------|
| <b>3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b> |                   |                             |
| <u>As at 30 June 2010</u>                                 | Gross Balances    | Impairment      Net Balance |
| Subsidies   | -                 | -                           |
| Unauthorised expenditure                                  | 2 406 280         | 2 406 280                   |
| Other debtors   | 1 207 276         | 1 207 276                   |
| Prepaid expenses  | 22 483            | 22 483                      |
| <b>Total Other Debtors</b>                                | <b>3 636 038</b>  | <b>-      3 636 038</b>     |
| <u>As at 30 June 2009</u>                                 |                   |                             |
| Subsidies   | 0                 | 0                           |
| Unauthorised expenditure                                  | 1 438 042         | 1 438 042                   |
| Other debtors   | 5 748 922         | 5 748 922                   |
| Prepaid expenses  | 39 558            | 39 558                      |
| <b>Total Other Debtors</b>                                | <b>7 226 523</b>  | <b>-      7 226 523</b>     |
| <b>4 INVENTORIES</b>                                      |                   |                             |
| <b>Opening balance of inventories:</b>                    |                   |                             |
| Consumable, maintenance and spare parts stores - at cost  | 662 380           | 478 814                     |
| <b>Additions:</b>   |                   |                             |
| Consumable, maintenance and spare parts stores            | 633 888           | 705 184                     |
| <b>Issued (expensed):</b>                                 |                   |                             |
| Consumable, maintenance and spare parts stores            | (667 095)         | 521 618                     |
| <b>Closing balance of inventories:</b>                    |                   |                             |
| Consumable, maintenance and spare parts stores            | 629 173           | 662 380                     |
| <b>5 INVESTMENTS</b>                                      |                   |                             |
| Collateral  | 18 432            | 17 019                      |
| Call investments  | 28 862 301        | 26 802 015                  |
| Total Investments (for detail see Appendix E)             | <b>28 880 733</b> | <b>26 819 034</b>           |
| <b>6 NON-CURRENT RECEIVABLES</b>                          |                   |                             |
| Housing selling scheme loans                              | -                 | -                           |
| Other non-current receivables                             | -                 | -                           |
| Less : Current portion transferred to current receivables | -                 | -                           |
| Housing selling scheme loans                              | -                 | -                           |
| Other non-current receivables                             | -                 | -                           |
| <b>Total</b>  | <b>-</b>          | <b>-</b>                    |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
for the year ended 30 June 2010

**7 PROPERTY, PLANT AND EQUIPMENT**

**Reconciliation of Carrying Value**

|  | Land             | Buildings         | Infrastructure     | Community      | Heritage | Other Assets      | Finance lease assets |
|--|------------------|-------------------|--------------------|----------------|----------|-------------------|----------------------|
|  | R                | R                 | R                  | R              | R        | R                 | R                    |
| <b>as at 1 July 2009</b>                       | <b>5 223 942</b> | <b>15 947 472</b> | <b>351 412 193</b> | <b>864 330</b> | -        | <b>13 601 926</b> | -                    |
| Cost/Revaluation                               | 5 223 942        | 18 995 666        | 396 429 381        | 997 304        | -        | 21 011 264        | -                    |
| Correction of error                            |                  |                   |                    |                |          |                   |                      |
| Change in accounting policy                    |                  |                   |                    |                |          |                   |                      |
| Accumulated depreciation and impairment losses | -                | (3 048 194)       | (45 017 188)       | (132 974)      | -        | (7 409 338)       | -                    |
| Acquisitions                                   | -                | 34 200            | 25 752 842         | -              | -        | 1 293 005         | -                    |
| Capital under Construction                     | -                | 14 531 760        | 32 992 777         | -              | -        | -                 | -                    |
| Depreciation                                   | -                | (648 991)         | (17 824 647)       | (33 243)       | -        | (2 460 860)       | -                    |
| Carrying value of disposals                    | -                | <b>(13 102)</b>   | -                  | -              | -        | <b>(73 626)</b>   | -                    |
| Cost/Revaluation                               | -                | (33 932)          | -                  | -              | -        | (110 439)         | -                    |
| Accumulated depreciation and impairment losses | -                | 20 831            | -                  | -              | -        | 36 813            | -                    |
| Impairment loss/Reversal of impairment loss    | -                | -                 | -                  | -              | -        | -                 | -                    |
| Transfers                                      | -                | -                 | -                  | -              | -        | (6 754)           | -                    |
| Other movements*                               | -                | -                 | -                  | -              | -        | 1 013             | -                    |
| <b>as at 30 June 2010</b>                      | <b>5 223 942</b> | <b>29 851 340</b> | <b>392 333 165</b> | <b>831 086</b> | -        | <b>12 354 703</b> | -                    |
| Cost/Revaluation                               | 5 223 942        | 33 527 694        | 455 175 000        | 997 304        | -        | 22 187 076        | -                    |
| Accumulated depreciation and impairment losses | -                | (3 676 354)       | (62 841 835)       | (166 217)      | -        | (9 832 373)       | -                    |

Refer to Appendix B for more detail on property, plant and equipment

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

**7 PROPERTY, PLANT AND EQUIPMENT(cont.)**

**Reconciliation of Carrying Value**

**as at 1 July 2008**

Cost/Revaluation  
Correction of error  
Change in accounting policy  
Accumulated depreciation and impairment losses

Acquisitions  
Capital under Construction  
Depreciation

Carrying value of disposals  
Cost/Revaluation  
Accumulated depreciation and impairment losses

Impairment loss/Reversal of impairment loss  
Transfers  
\*Other movements

**as at 30 June 2009**

Cost/Revaluation  
Accumulated depreciation and impairment losses

| Land             | Buildings         | Infrastructure     | Community      | Heritage | Other Assets      | Finance lease assets |
|------------------|-------------------|--------------------|----------------|----------|-------------------|----------------------|
| R                | R                 | R                  | R              | R        | R                 | R                    |
| <b>5 223 942</b> | <b>11 617 380</b> | <b>302 988 498</b> | <b>930 817</b> | -        | <b>11 334 936</b> | -                    |
| 5 223 942        | 13 650 297        | 321 667 798        | 997 304        | -        | 17 465 969        | -                    |
|                  |                   |                    |                |          | 41 000            |                      |
|                  | (2 032 917)       | (18 679 300)       | (66 487)       | -        | (6 172 033)       | -                    |
| -                |                   |                    |                |          |                   |                      |
| -                | 5 345 369         | 74 761 583         | -              | -        | 4 871 286         | -                    |
| -                | 7 352 894         | 5 775 966          | -              | -        | -                 | -                    |
| -                | (588 252)         | (16 184 297)       | (33 243)       | -        | (1 913 831)       | -                    |
| -                | -                 | -                  | -              | -        | <b>(88 032)</b>   | -                    |
| -                | -                 | -                  | -              | -        | (1 366 991)       | -                    |
| -                | -                 | -                  | -              | -        | 1 278 960         | -                    |
| -                | -                 | -                  | -              | -        | -                 | -                    |
| -                | -                 | -                  | -              | -        | -                 | -                    |
| -                | -                 | -                  | -              | -        | -                 | -                    |
| <b>5 223 942</b> | <b>23 300 366</b> | <b>357 188 159</b> | <b>864 330</b> | -        | <b>13 601 926</b> | -                    |
| 5 223 942        | 26 348 560        | 402 205 347        | 997 304        | -        | 21 011 264        | -                    |
| -                | (3 048 194)       | (45 017 188)       | (132 974)      | -        | (7 409 338)       | -                    |

Refer to Appendix B for more detail on property, plant and equipment

|                    |
|--------------------|
| <b>Total</b>       |
| <b>R</b>           |
| <b>387 049 863</b> |
| 442 657 557        |
| -                  |
| -                  |
| (55 607 693)       |
| 27 080 046         |
| 47 524 537         |
| (20 967 742)       |
| <b>(86 727)</b>    |
| (144 371)          |
| 57 644             |
| -                  |
| (6 754)            |
| 1 013              |
| <b>440 594 236</b> |
| 517 111 015        |
| (76 516 779)       |

|   |
|---|
| <b>Total</b>  |
| <b>R</b>  |
| <b>332 095 573</b>  |
| 359 005 310<br>41 000<br>(26 950 737)<br>-                  |
| 84 978 238<br>13 128 859<br>(18 719 624)<br><b>(88 032)</b> |
| (1 366 991)<br>1 278 960                                    |
| -<br>-<br>-   |
| <b>400 178 723</b>  |
| 455 786 416<br>(55 607 693)                                 |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

**8 INTANGIBLE ASSETS**

**Reconciliation of carrying value**

|  | <b>Computer Software<br/>R</b> | <b>Other*<br/>R</b> |
|--|--------------------------------|---------------------|
| <b>as at 1 July 2009</b>                       | 432 867                        | -                   |
| Cost   | 1 074 915                      | -                   |
| Correction of error                            |                                |                     |
| Change in accounting policy                    |                                |                     |
| Accumulated amortisation and impairment losses | (642 048)                      | -                   |
| Acquisitions                                   | 32 891                         | -                   |
| Amortisation                                   | (93 062)                       | -                   |
| Carrying value of disposals                    | -                              | -                   |
| Cost   | -                              | -                   |
| Accumulated amortisation                       | -                              | -                   |
| Impairment loss/Reversal of impairment loss    | -                              | -                   |
| Transfers                                      | 6 754                          | -                   |
| Other movements                                | (1 013)                        | -                   |
| <b>as at 30 June 2010</b>                      | <b>378 437</b>                 | <b>-</b>            |
| Cost   | 1 114 560                      | -                   |
| Accumulated amortisation and impairment losses | (736 123)                      | -                   |

**Reconciliation of carrying value**

|  | <b>Computer Software<br/>R</b> | <b>Other*<br/>R</b> |
|--|--------------------------------|---------------------|
| <b>as at 1 July 2008</b>                       | <b>3 275</b>                   | <b>-</b>            |
| Cost   | 634 127                        | -                   |
| Correction of error                            |                                |                     |
| Change in accounting policy                    |                                |                     |
| Accumulated amortisation and impairment losses | (630 852)                      | -                   |
| Acquisitions                                   | 440 789                        | -                   |
| Amortisation                                   | (11 196)                       | -                   |
| Carrying value of disposals                    | -                              | -                   |
| Cost   | -                              | -                   |
| Accumulated amortisation                       | -                              | -                   |
| Impairment loss/Reversal of impairment loss    | -                              | -                   |
| Transfers                                      | -                              | -                   |
| Other movements                                | -                              | -                   |
| <b>as at 30 June 2009</b>                      | <b>432 867</b>                 | <b>-</b>            |
| Cost   | 1 074 915                      | -                   |
| Accumulated amortisation and impairment losses | (642 048)                      | -                   |



**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

**9 INVESTMENT PROPERTY CARRIED AT COST**

| <b>Reconciliation of carrying value</b>        | <b>Investment<br/>property X<br/>R</b> | <b>Investment<br/>property Y<br/>R</b> |
|--|--|--|
| <b>as at 1 July 2009</b>                       | -                                      | -                                      |
| Cost   | -                                      | -                                      |
| Correction of error                            |  |  |
| Change in accounting policy                    |  |  |
| Accumulated depreciation and impairment losses | -                                      | -                                      |
| Acquisitions                                   | -                                      | -                                      |
| Depreciation                                   | -                                      | -                                      |
| Carrying value of disposals                    | -                                      | -                                      |
| Cost   | -                                      | -                                      |
| Accumulated depreciation                       | -                                      | -                                      |
| Impairment loss/Reversal of impairment loss    | -                                      | -                                      |
| Transfers                                      | -                                      | -                                      |
| Other movements                                | -                                      | -                                      |
| <b>as at 30 June 2010</b>                      | -                                      | -                                      |
| Cost   | -                                      | -                                      |
| Accumulated depreciation and impairment losses | -                                      | -                                      |
| <b>Reconciliation of carrying value</b>        | <b>Investment<br/>property<br/>R</b>   | <b>Investment<br/>property<br/>R</b>   |
| <b>as at 1 July 2008</b>                       | -                                      | -                                      |
| Cost   | -                                      | -                                      |
| Correction of error                            |  |  |
| Change in accounting policy                    |  |  |
| Accumulated depreciation and impairment losses | -                                      | -                                      |
| Acquisitions                                   | -                                      | -                                      |
| Depreciation                                   | -                                      | -                                      |
| Carrying value of disposals                    | -                                      | -                                      |
| Cost   | -                                      | -                                      |
| Accumulated depreciation                       | -                                      | -                                      |
| Impairment loss/Reversal of impairment loss    | -                                      | -                                      |
| Transfers                                      | -                                      | -                                      |
| Other movements                                | -                                      | -                                      |
| <b>as at 30 June 2009</b>                      | -                                      | -                                      |
| Cost   | -                                      | -                                      |
| Accumulated depreciation and impairment losses | -                                      | -                                      |

In terms of Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities, the Maquassi Municipality has identified all municipal property but due to the fact that the municipality has taken advantage of the provisions, has not yet classified these properties between Property, Plant and Equipment, Inventory and Intangible Assets. The market values of these properties have not yet been divided between land and buildings values. The reconciliation is forwarded to the municipal valuer.

**Total  
R**

|           |
|-----------|
| 432 867   |
| 1 074 915 |
| -         |
| -         |
| (642 048) |

32 891  
(93 062)

|   |
|---|
| - |
| - |
| - |

-  
6 754  
(1 013)

**378 437**

|           |
|-----------|
| 1 114 560 |
| (736 123) |

**Total  
R**

|              |
|--------------|
| <b>3 275</b> |
| 634 127      |
| -            |
| -            |
| (630 852)    |

440 789  
(11 196)

|   |
|---|
| - |
| - |
| - |

-  
-  
-

**432 867**

|           |
|-----------|
| 1 074 915 |
| (642 048) |

**Total  
R**

|   |
|---|
| - |
| - |
| - |
| - |
| - |

-  
-

|   |
|---|
| - |
| - |
| - |

-  
-  
-

|   |
|---|
| - |
| - |
| - |

**Total  
R**

|   |
|---|
| - |
| - |
| - |
| - |
| - |

-  
-

|   |
|---|
| - |
| - |
| - |

-  
-  
-

|   |
|---|
| - |
| - |
| - |

Hills Local  
ge of the transitional  
vestment Property.  
quest will be

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|  | 2010     | 2009     |
|--|----------|----------|
|  | R        | R        |
| <b>10 NON-CURRENT ASSETS HELD FOR SALE</b> |          |          |
| Property, plant and equipment              | -        | -        |
| Investment property                        | -        | -        |
| Other assets                               | -        | -        |
|  | <u>-</u> | <u>-</u> |

*Municipality has taken advantage of the transitional provisions of Directive 4*

**11 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

|                              |                          |                          |
|------------------------------|--------------------------|--------------------------|
| Trade creditors              | 37 456 950               | 23 137 156               |
| Payments received in advance | 1 051 928                | 1 726 528                |
| Retentions                   | 4 239 942                | -                        |
| Other creditors              | 5 539 903                | 3 509 656                |
| <b>Total creditors</b>       | <u><b>48 288 722</b></u> | <u><b>28 373 340</b></u> |

The fair value of trade and other payables approximates their carrying amounts.

**12 CONSUMER DEPOSITS**

|                                |                         |                         |
|--------------------------------|-------------------------|-------------------------|
| Electricity and Water          | 1 432 270               | 1 322 513               |
| <b>Total consumer deposits</b> | <u><b>1 432 270</b></u> | <u><b>1 322 513</b></u> |

**13 VAT PAYABLE**

|             |          |                  |
|-------------|----------|------------------|
| VAT payable | <u>-</u> | <u>8 759 389</u> |
|-------------|----------|------------------|

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

**14 VAT RECEIVABLE**

|                |                   |                  |
|----------------|-------------------|------------------|
| VAT receivable | <u>11 669 353</u> | <u>6 839 879</u> |
|----------------|-------------------|------------------|

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|  | 2010              | 2009              |
|--|-------------------|-------------------|
|  | R                 | R                 |
| <b>15 NON-CURRENT PROVISIONS</b>                                   |                   |                   |
| Provision for leave  | 3 532 596         | 755 347           |
| <b>Total Provisions</b>  | <b>3 532 596</b>  | <b>755 347</b>    |
| The movement in current provisions are reconciled as follows: -    |                   |                   |
| <b>as at 1 July 2009</b>   |                   | 755 347           |
| Contributions to provision   |                   | (239 638)         |
| Expenditure incurred   |                   | 3 016 887         |
| <b>as at 30 June 2010</b>  |                   | <b>3 532 596</b>  |
| <b>as at 1 July 2008</b>   |                   | 466 786           |
| Contributions to provision   |                   | -                 |
| Expenditure incurred   |                   | 288 561           |
| <b>as at 30 June 2009</b>  |                   | <b>755 347</b>    |
| <b>16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>                  |                   |                   |
| <b>Unspent Conditional Grants from other spheres of Government</b> |                   |                   |
| Municipal Infrastructure Grant                                     | 957 794           | 1 486 459         |
| Dr Kenneth Kaunda District Municipality                            | -                 | 175 000           |
| Finance Management Grant   | 10 361            | 12 800            |
| Provincial Government Library Grant                                | 2 660 094         | 97 701            |
| Provincial Gazette Disaster Grant                                  | -                 | 32 180 826        |
| DWAF Bulk Water  | 23 301 231        |                   |
| DBSA Grant (IT System)   | -                 |                   |
| Provincial Government Bulk Water (PIG)                             | 5 000 000         |                   |
| DWAF Water Demand  | -                 |                   |
| DBSA Water Demand  | -                 |                   |
| Municipal Systems Improvement Grant                                | 11 486            |                   |
| Valuation Roll   | -                 |                   |
| <b>Total Unspent Conditional Grants and Receipts</b>               | <b>31 940 968</b> | <b>33 952 785</b> |
| <b>Non-current unspent conditional grants and receipts</b>         | -                 | -                 |
| <b>Current portion of unspent conditional grants and receipts</b>  | <b>31 940 968</b> | <b>33 952 785</b> |

See Note 23 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investments until utilised.

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|   | 2010              | 2009              |
|---|-------------------|-------------------|
|   | R                 | R                 |
| <b>17 BORROWINGS</b>                                      |                   |                   |
| Annuity Loans   | 58 792 991        | 62 311 675        |
| Less : Current portion transferred to current liabilities |                   |                   |
| Annuity Loans   | (8 492 632)       | (5 877 305)       |
| <b>Total borrowings</b>                                   | <b>50 300 359</b> | <b>56 434 370</b> |

Refer to Appendix A for more detail on borrowings.

**18 PROPERTY RATES**

**Actual**

|   |                   |                   |
|---|-------------------|-------------------|
| All categories  | 16 895 719        | 10 151 898        |
| <b>Total property rates</b>                               | <b>16 895 719</b> | <b>10 151 898</b> |
| Property rates - penalties imposed and collection charges | -                 | -                 |
| <b>Total</b>  | <b>16 895 719</b> | <b>10 151 898</b> |

**Valuations**

|                           |                      |                    |
|---------------------------|----------------------|--------------------|
| Land Value                | -                    | 28 729 758         |
| Improvements Value        | -                    | 457 514 947        |
| Market Value              | 2 659 065 971        | -                  |
| <b>Total Market Value</b> | <b>2 659 065 971</b> | <b>486 244 705</b> |

Valuations on land and buildings are performed every three years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

**19 SERVICE CHARGES**

|                                 |                   |                   |
|---------------------------------|-------------------|-------------------|
| Sale of electricity             | 23 693 204        | 20 823 737        |
| Sale of water                   | 25 727 868        | 18 126 152        |
| Refuse removal                  | 8 427 128         | 7 627 314         |
| Sewerage and sanitation charges | 17 457 389        | 14 269 188        |
| <b>Total Service Charges</b>    | <b>75 305 589</b> | <b>60 846 391</b> |

**20 RENTAL OF FACILITIES AND EQUIPMENT**

|                      |                |                |
|----------------------|----------------|----------------|
| Rental of facilities | 282 357        | 215 577        |
| Other rentals        | 38             | 106 254        |
| <b>Total rentals</b> | <b>282 395</b> | <b>321 831</b> |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|   | 2010              | 2009              |
|---|-------------------|-------------------|
|   | R                 | R                 |
| <b>21 FINANCE INCOME - EXTERNAL INVESTMENTS</b>   |                   |                   |
| Bank  | 2 749 709         | 3 609 097         |
| <b>Total interest</b>   | <b>2 749 709</b>  | <b>3 665 259</b>  |
| <b>22 FINANCE INCOME - OUTSTANDING RECEIVABLES</b>  |                   |                   |
| Consumer and other debtors  | 9 637 514         | 501 288           |
| <b>Total interest</b>   | <b>9 637 514</b>  | <b>6 520 701</b>  |
| <b>23 GOVERNMENT GRANTS AND SUBSIDIES</b>   |                   |                   |
| Equitable share   | 46 237 427        | 35 942 736        |
| MIG Grant   | 24 917 167        | 18 786 462        |
| Other Government Grants and Subsidies   | 12 826 683        | 29 831 674        |
| <b>Total Government Grant and Subsidies</b>   | <b>83 981 277</b> | <b>84 560 872</b> |
| <b>Equitable Share</b>  | <b>10 101 284</b> | <b>10 187 029</b> |
| In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy which is funded from the grant. |                   |                   |
| <b>Municipal Infrastructure Grant</b>   |                   |                   |
| Balance unspent at beginning of year  | (1 486 459)       | (3 022 046)       |
| Current year receipts   | (24 924 664)      | (17 250 875)      |
| Conditions met – transferred to revenue   | 25 453 328        | 18 786 462        |
| Conditions still to be met - transferred to liabilities   | (957 794)         | (1 486 459)       |
| <b>Provincial Gazette Disaster Grant</b>  |                   |                   |
| Balance unspent at beginning of year  | (732 460)         | (2 688 814)       |
| Current year receipts   | -                 | -                 |
| Conditions met – transferred to revenue   | 732 460           | 1 956 354         |
| Conditions still to be met - transferred to liabilities   | -                 | (732 460)         |
| <b>Provincial Government Library Grant</b>  |                   |                   |
| Balance unspent at beginning of year  | (97 701)          | (106 100)         |
| Current year receipts   | (3 650 000)       | (400 000)         |
| Conditions met – transferred to revenue   | 1 087 607         | 408 399           |
| Conditions still to be met - transferred to liabilities   | (2 660 094)       | (97 701)          |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|   | 2010                | 2009                |
|---|---------------------|---------------------|
|   | R                   | R                   |
| <b>23 GOVERNMENT GRANTS AND SUBSIDIES(CONT)</b>         |                     |                     |
| <b>Finance Management Grant</b>                         |                     |                     |
| Balance unspent at beginning of year                    | (12 800)            | (12 720)            |
| Current year receipts                                   | (750 000)           | (1 500 000)         |
| Conditions met – transferred to revenue                 | 752 438             | 1 499 920           |
| Conditions still to be met - transferred to liabilities | <u>(10 361)</u>     | <u>(12 800)</u>     |
| <b>DWAF Bulk Water</b>                                  |                     |                     |
| Balance unspent at beginning of year                    | (23 301 231)        | -                   |
| Current year receipts                                   | -                   | (25 800 000)        |
| Conditions met – transferred to revenue                 | -                   | 2 498 769           |
| Conditions still to be met - transferred to liabilities | <u>(23 301 231)</u> | <u>(23 301 231)</u> |
| <b>Dr Kenneth Kaunda District Municipality</b>          |                     |                     |
| Balance unspent at beginning of year                    | (175 000)           | (175 000)           |
| Current year receipts                                   | (1 417 149)         | (10 031 315)        |
| Conditions met – transferred to revenue                 | 1 592 149           | 10 031 315          |
| Conditions still to be met - transferred to liabilities | <u>-</u>            | <u>(175 000)</u>    |
| <b>DBSA Grant (IT System)</b>                           |                     |                     |
| Balance unspent at beginning of year                    | (2 013 561)         | -                   |
| Current year receipts                                   | -                   | (1 874 216)         |
| Conditions met – transferred to revenue                 | 2 013 561           | (139 345)           |
| Conditions still to be met - transferred to liabilities | <u>-</u>            | <u>(2 013 561)</u>  |
| <b>Provincial Government Bulk Water (PIG)</b>           |                     |                     |
| Balance unspent at beginning of year                    | (4 285 686)         | -                   |
| Current year receipts                                   | (7 500 000)         | (15 000 000)        |
| Conditions met – transferred to revenue                 | 6 785 686           | 10 714 314          |
| Conditions still to be met - transferred to liabilities | <u>(5 000 000)</u>  | <u>(4 285 686)</u>  |
| <b>DWAF Water Demand</b>                                |                     |                     |
| Balance unspent at beginning of year                    | (667 770)           | -                   |
| Current year receipts                                   | -                   | (1 900 000)         |
| Conditions met – transferred to revenue                 | 667 770             | 1 232 230           |
| Conditions still to be met - transferred to liabilities | <u>-</u>            | <u>(667 770)</u>    |
| <b>DBSA Water Demand</b>                                |                     |                     |
| Balance unspent at beginning of year                    | (1 153 637)         | -                   |
| Current year receipts                                   | -                   | (1 153 637)         |
| Conditions met – transferred to revenue                 | 1 153 637           | -                   |
| Conditions still to be met - transferred to liabilities | <u>-</u>            | <u>(1 153 637)</u>  |



**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|   | 2010            | 2009            |
|---|-----------------|-----------------|
|   | R               | R               |
| <b>23 GOVERNMENT GRANTS AND SUBSIDIES(CONT)</b>         |                 |                 |
| <b>Municipal Systems Improvement Grant</b>              |                 |                 |
| Balance unspent at beginning of year                    | (26 481)        | -               |
| Current year receipts                                   | (735 000)       | (735 000)       |
| Conditions met – transferred to revenue                 | 749 994         | 708 519         |
| Conditions still to be met - transferred to liabilities | <u>(11 486)</u> | <u>(26 481)</u> |
| <br><b>Valuation Roll</b>                               |                 |                 |
| Balance unspent at beginning of year                    | -               | -               |
| Current year receipts                                   | (199 904)       | -               |
| Conditions met – transferred to revenue                 | 199 904         | -               |
| Conditions still to be met - transferred to liabilities | <u>-</u>        | <u>-</u>        |
| <br><b>24 OTHER INCOME</b>                              |                 |                 |
| <b>Other income</b>                                     |                 |                 |
| Advertising   | 16 597          | 12 917          |
| Blocked sewerage fees                                   | 7 800           | 1 575           |
| Building plans fees and copies                          | 71 549          | 57 331          |
| Cemetery fees   | 142 754         | 167 516         |
| Change of circuit breakers                              |                 | 1 861           |
| Cleaning of stands                                      | 4 200           | 540             |
| Clearance certificates                                  | 16 980          | 19 253          |
| Connection fees : electricity                           | 17 400          | 12 775          |
| Connection fees : sewerage                              | 12 318          | 1 003           |
| Connection fees : water                                 | 5 568           | 11 180          |
| Deeds search  | 5 391           |                 |
| Encroachment  | 374             | 2               |
| Garden refuse removal                                   | 500             |                 |
| Lost books library                                      | 8               |                 |
| Medical aid contributions ex pensioners                 | 113 089         | 108 060         |
| Meter testing fees : electricity                        | 1 793           | 687             |
| Meter testing fees : water                              | 900             | 248             |
| Photostat fees  | 39 572          | 45 152          |
| Poster fees   | 931             | 1 424           |
| Private works   |                 | 250             |
| Reconnections : electricity                             | 109 129         | 98 251          |
| Reconnections : water                                   | 12 455          | 16 171          |
| Rd cheque charges                                       | -               | 3 000           |
| Sales: refuse bins                                      | 1 477           | 1 970           |
| Sales: sand and gravel                                  | 79 863          | 2 936           |
| Sales: town maps  | 531             | 991             |
| Streetlights contract : Eskom                           |                 | 108 572         |
| Sub division of erven                                   | 429             | 662             |
| Sundries  | 949 964         | 10 363 187      |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|                                | 2010             | 2009              |
|--------------------------------|------------------|-------------------|
|                                | R                | R                 |
| <b>24 OTHER INCOME (cont.)</b> |                  |                   |
| Supply of information          | 70 884           | 67 552            |
| Surplus: cash                  | 3 299            | 1 014             |
| Servitudes                     |                  | 74 230            |
| SETA                           | 226 018          |                   |
| Sale of inventory              |                  | 210 507           |
| Sport donation                 |                  | 52 920            |
| User fees                      | 5 399            | 5 084             |
| Valuation certificates         | 1 372            | 768               |
| Cross subsidisation to:        | 830              |                   |
| Year-end function: donations   |                  | 31 047            |
| <b>Total Other Income</b>      | <b>1 919 377</b> | <b>11 480 633</b> |

**25 EMPLOYEE RELATED COSTS**

|   |                   |                   |
|---|-------------------|-------------------|
| Employee related costs - Salaries and Wages                               | 23 386 349        | 21 061 303        |
| Employee related costs - Contributions for UIF, pensions and medical aids | 7 935 314         | 6 579 048         |
| Travel, motor car, accommodation, subsistence and other allowances        | 1 819 891         | 1 558 271         |
| Housing benefits and allowances   | 308 279           | 328 347           |
| Overtime payments   | 1 991 412         | 1 522 299         |
| Performance and other bonuses   | 2 301 975         | 2 135 930         |
| Long-service awards   | 257 652           | -                 |
| Other employee related costs  | 520 152           | 454 632           |
| <b>Total Employee Related Costs</b>                                       | <b>38 521 024</b> | <b>33 639 831</b> |

There were no advances to employees

**Remuneration of the Municipal Manager**

|  |                  |                |
|--|------------------|----------------|
| Annual Remuneration  | 637 752          | 308 445        |
| Performance- and other bonuses                                     | -                | -              |
| Travel, motor car, accommodation, subsistence and other allowances | 302 651          | 159 921        |
| Contributions to UIF, Medical and Pension Funds                    | 164 240          | 78 782         |
| <b>Total</b>   | <b>1 104 643</b> | <b>547 148</b> |

The post for Municipal Manager was vacant until November 2008.

**Remuneration of the Chief Finance Officer**

|  |                |                |
|--|----------------|----------------|
| Annual Remuneration  | 664 084        | 583 117        |
| Performance- and other bonuses                                     | -              | 48 491         |
| Travel, motor car, accommodation, subsistence and other allowances | 315 879        | 323 760        |
| Contributions to UIF, Medical and Pension Funds                    | 1 542          | 1 497          |
| <b>Total</b>   | <b>981 506</b> | <b>956 865</b> |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|  |                               | 2010                          | 2009                          |
|--|-------------------------------|-------------------------------|-------------------------------|
|  |                               | R                             | R                             |
| <b>25 EMPLOYEE RELATED COSTS(CONT.)</b>                            |                               |                               |                               |
| <b>Remuneration of Individual Executive Directors</b>              |                               |                               |                               |
|  | <b>Technical<br/>Services</b> | <b>Corporate<br/>Services</b> | <b>Community<br/>Services</b> |
|  | R                             | R                             | R                             |
| <b>2010</b>  |                               |                               |                               |
| Annual Remuneration  | 404 951                       | 724 277                       | 417 695                       |
| Performance- and other bonuses                                     | -                             | -                             | -                             |
| Travel, motor car, accommodation, subsistence and other allowances | 295 663                       | 166 681                       | 176 871                       |
| Contributions to UIF, Medical and Pension Funds                    | 118 049                       | 24 276                        | 111 830                       |
| <b>Total</b>   | <b>818 663</b>                | <b>915 234</b>                | <b>706 396</b>                |
|  | <b>Technical<br/>Services</b> | <b>Corporate<br/>Services</b> | <b>Community<br/>Services</b> |
|  | R                             | R                             | R                             |
| <b>2009</b>  |                               |                               |                               |
| Annual Remuneration  | 289 244                       | 624 272                       | 398 903                       |
| Performance- and other bonuses                                     | -                             | -                             | 37 082                        |
| Travel, motor car, accommodation, subsistence and other allowances | 209 802                       | 190 717                       | 148 592                       |
| Contributions to UIF, Medical and Pension Funds                    | 80 723                        | 21 409                        | 120 196                       |
| <b>Total</b>   | <b>579 769</b>                | <b>836 398</b>                | <b>704 773</b>                |
| <b>Total employee related cost</b>                                 |                               | <b>43 047 466</b>             | <b>37 264 784</b>             |
| <b>26 REMUNERATION OF COUNCILLORS</b>                              |                               |                               |                               |
| Mayor  |                               | 305 014                       | 305 014                       |
| Deputy Mayor   |                               | -                             | -                             |
| Speaker  |                               | 260 044                       | 260 044                       |
| Executive Committee Members  |                               | 899 547                       | 739 950                       |
| Councillors  |                               | 1 369 510                     | 1 154 769                     |
| Councillors' pension and medical aid contributions                 |                               | 265 276                       | 361 317                       |
| Councillors' allowances  |                               | 1 132 346                     | 1 180 969                     |
| <b>Total Councillors' Remuneration</b>                             |                               | <b>4 231 738</b>              | <b>4 002 062</b>              |
| <b>27 DEPRECIATION AND AMORTISATION EXPENSE</b>                    |                               |                               |                               |
| Property, plant and equipment                                      |                               | 20 967 742                    | 18 719 624                    |
| Intangible assets  |                               | 93 062                        | 11 196                        |
| Investment property carried at cost                                |                               | -                             | -                             |
| <b>Total Depreciation and Amortisation</b>                         |                               | <b>21 060 804</b>             | <b>18 730 820</b>             |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|  | 2010              | 2009              |
|--|-------------------|-------------------|
|  | R                 | R                 |
| <b>28 FINANCE COSTS</b>                          |                   |                   |
| Borrowings                                       | 3 346 321         | 2 238 489         |
| <b>Total Finance Costs</b>                       | <b>3 346 321</b>  | <b>2 238 489</b>  |
| <b>29 BULK PURCHASES</b>                         |                   |                   |
| Electricity                                      | 16 705 811        | 7 462 020         |
| Water  | 16 329 327        | 12 637 497        |
| <b>Total Bulk Purchases</b>                      | <b>33 035 138</b> | <b>20 099 518</b> |
| <b>30 CONTRACTED SERVICES</b>                    |                   |                   |
| Contracted Services                              | <b>9 091 040</b>  | <b>5 536 194</b>  |
| <b>31 GENERAL EXPENSES</b>                       |                   |                   |
| Included in general expenses are the following:- |                   |                   |
| Advertising                                      | 133 135           | 42 228            |
| Admin fees                                       | -                 | -                 |
| Audit fees                                       | 970 771           | 977 402           |
| Bank charges                                     | 215 152           | 180 811           |
| Conferences and delegations                      | -                 | -                 |
| Consulting fees                                  | 3 696 181         | 5 793 525         |
| Consumables                                      | -                 | -                 |
| Cleaning   | 49 567            | 32 255            |
| Departmental consumption                         | 681 896           | 5 682 818         |
| Entertainment                                    | 94 518            | 25 262            |
| Fuel and oil                                     | 1 160 190         | 1 065 445         |
| Grants   | 77 089            |                   |
| Insurance  | -                 | -                 |
| Legal expenses                                   | 363 719           | 243 984           |
| Levies paid                                      | -                 | -                 |
| Licence fees                                     | 96 563            | 3 353 316         |
| Membership fees                                  | 260 258           | 174 034           |
| Postage  | 322 232           | 4 020             |
| Printing and stationery                          | 281 669           | 352 306           |
| Rental of office buildings                       | 65 772            | 34 421            |
| Rental of office equipment                       | -                 | -                 |
| Other rentals                                    | -                 | -                 |
| Security costs                                   | 21 654            | 30 320            |
| Skills development levies                        | 273 526           | 388 049           |
| Stocks and material                              | 130 840           | 53 663            |
| Subscription and publication                     | 36 173            | 49 931            |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|  | 2010                | 2009              |
|--|---------------------|-------------------|
|  | R                   | R                 |
| <b>31 GENERAL EXPENSES (cont.)</b>   |                     |                   |
| Telephone cost   | 432 440             | 435 807           |
| Training   | 100 244             | 16 497            |
| Travel and subsistence   | 627 084             | 299 539           |
| Uniforms and overalls  | 135 242             | 115 386           |
| Valuation costs  | 329                 | 656               |
| Other  | 28 746 640          | 10 538 643        |
|  | <b>38 972 886</b>   | <b>29 890 318</b> |
| <b>32 GAIN / (LOSS) ON SALE OF ASSETS</b>  |                     |                   |
| Property, plant and equipment  | 68 486              | 252 334           |
| <b>Total Gain / (Loss) on Sale of Assets</b>   | <b>68 486</b>       | <b>252 334</b>    |
| <b>33 CASH GENERATED BY OPERATIONS</b>   |                     |                   |
| Surplus/(deficit) for the year   | (58 837 326)        | 59 050 712        |
| Adjustment for:-   |                     |                   |
| Depreciation and amortisation  | 21 060 804          | 18 730 820        |
| (Gain) / loss on sale of assets  | (68 486)            | (252 334)         |
| Finance costs  | 3 346 321           | 2 238 489         |
| Interest earned  | (12 387 224)        | (10 185 960)      |
| Other non-cash item  | (35 725 629)        | 4 434 298         |
| <b>Operating surplus before working capital changes:</b>   | <b>(82 611 541)</b> | <b>74 016 026</b> |
| (Increase)/decrease in inventories   | 33 207              | (183 566)         |
| (Increase)/decrease in trade receivables   | 77 551 245          | (31 010 090)      |
| Increase/(decrease) in trade payables  | 19 915 381          | (3 263 896)       |
| Increase/(decrease) in consumer deposits   | 109 757             | 104 263           |
| <b>Cash generated by/(utilised in) operations</b>  | <b>14 998 050</b>   | <b>39 662 736</b> |
| <b>34 CASH AND CASH EQUIVALENTS</b>  |                     |                   |
| Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position: |                     |                   |
| Bank balances and cash   | 6 775 355           | 20 181 077        |
| Bank overdrafts  | (9 593 188)         | (7 329 744)       |
| <b>Net cash and cash equivalents (net of bank overdrafts)</b>  | <b>(2 817 833)</b>  | <b>12 851 333</b> |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANANCIAL STATEMENTS**  
for the year ended 30 June 2010

|  | 2010              | 2009       |
|--|-------------------|------------|
|  | R                 | R          |
| <b>35 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>  |                   |            |
| Long-term liabilities (see Note 17)  |                   | 62 311 675 |
| Used to finance property, plant and equipment – at cost  |                   | 62 311 675 |
| <b>Cash invested for repayment of long-term liabilities</b>  |                   | -          |
| Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act.  |                   |            |
| <b>36 CHANGE IN ACCOUNTING POLICY</b>  |                   |            |
| The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies: |                   |            |
| None   |                   |            |
| <b>37 CORRECTION OF ERROR</b>  |                   |            |
| During the 2009/2010 year the following adjustments were made to transactions whereby amounts were erroneously stated in previous financial periods: The comparative amounts have been restated as follows:            |                   |            |
| <u>Transactions affecting the Statement of Changes in</u>  |                   |            |
| <b>37.1 Net Assets</b>   |                   |            |
| <b>Accumulated Surplus/(Deficit)</b>   |                   |            |
| <b>Balance previously reported 2007/2008</b>   | 43 037 420        |            |
| Contracted services  | 53 513            |            |
| Contracted services  | (107 890)         |            |
| Health Subsidy debtor  | (208 283)         |            |
| V.A.T Correction   | (722 813)         |            |
| <b>Restated balance for 2007/2008</b>  | <b>42 051 947</b> |            |
| <u>Transactions affecting the Statement of Financial</u>   |                   |            |
| <b>37.2 Position</b>   |                   |            |
| Other receivables from non-exchange transactions   |                   |            |
| Balance previously reported 2007/2008  | 55 565 342        |            |
| Adjustment   | (877 583)         |            |
| <b>Restated balance for 2007/2008 (note 3)</b>   | <b>54 687 759</b> |            |
| Trade and other payables from exchange transactions  |                   |            |
| Balance previously reported 2007/2008  | 32 003 718        |            |
| Adjustment   | 107 890           |            |
| <b>Restated balance for 2007/2008 (note 11)</b>  | <b>32 111 608</b> |            |
| <u>Transactions affecting the Statement of Changes in</u>  |                   |            |
| <b>37.3 Net Assets</b>   |                   |            |
| Surplus / (deficit) for the period   |                   |            |
| Balance previously reported 2008/2009  | 59 050 711        |            |
| Contracted services  | 53 513            |            |
| Contracted services  | (79 046)          |            |
| Repairs and Maintenance  | 553 418           |            |
| General expenses   | 1 972 599         |            |
| <b>Restated balance for 2008/2009</b>  | <b>61 551 195</b> |            |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|   | 2010              | 2009 |
|---|-------------------|------|
|   | R                 | R    |
| <b>37 CORRECTION OF ERROR (cont.)</b>                               |                   |      |
| Accumulated Surplus/(Deficit)                                       |                   |      |
| Balance previously reported 2008/2009                               | <b>77 018 533</b> |      |
| Transfers to / from accumulated surplus/(deficit) employee benefits | (12 213 185)      |      |
| Adjustments (note 37.1)   | (985 473)         |      |
| Adjustments (note 37.3)   | 2 500 484         |      |
| <b>Restated balance for 2008/2009</b>                               | <b>66 320 359</b> |      |
| <u>Transactions affecting the Statement of Financial</u>            |                   |      |
| <b>37.4 Performance</b>   |                   |      |
| Contracted services   |                   |      |
| Balance previously reported 2008/2009                               | 5 510 660         |      |
| Adjustment  | 25 533            |      |
| <b>Restated balance for 2008/2009 (note 30)</b>                     | <b>5 536 193</b>  |      |
| Repairs and maintenance   |                   |      |
| Balance previously reported 2008/2009                               | 4 917 459         |      |
| Adjustment  | (553 418)         |      |
| <b>Restated balance for 2008/2009</b>                               | <b>4 364 041</b>  |      |
| General expenses  |                   |      |
| Balance previously reported 2008/2009                               | 31 862 917        |      |
| Adjustment  | (1 972 599)       |      |
| <b>Restated balance for 2008/2009</b>                               | <b>29 890 318</b> |      |
| <u>Transactions affecting the Statement of Financial</u>            |                   |      |
| <b>37.5 Position</b>  |                   |      |
| Other receivables from non-exchange transactions                    |                   |      |
| Balance previously reported 2008/2009                               | 8 050 592         |      |
| Other Debtors adjustment 2007/2008                                  | (877 583)         |      |
| Other Debtors adjustment 2008/2009                                  | 53 513            |      |
| <b>Restated balance for 2008/2009 (note 3)</b>                      | <b>7 226 523</b>  |      |
| <b>Trade and other payables from exchange transactions</b>          |                   |      |
| Balance previously reported 2008/2009                               | 28 739 822        |      |
| Other Creditors adjustment 2007/2008                                | 79 046            |      |
| Other Creditors adjustment 2008/2009                                | 107 890           |      |
| Other Creditors adjustment 2008/2009                                | (553 418)         |      |
| <b>Restated balance for 2008/2009 (note 11)</b>                     | <b>28 373 340</b> |      |
| <b>VAT payable</b>  |                   |      |
| Balance previously reported 2008/2009                               | 10 731 988        |      |
| Vat adjustment 2008/2009  | (1 972 599)       |      |
| <b>Restated balance for 2008/2009 (note 13)</b>                     | <b>8 759 389</b>  |      |
| <b>Employee benefit information</b>                                 |                   |      |
| Balance previously reported 2008/2009                               | -                 |      |
| Employee benefit adjustment 2008/2009                               | 12 213 185        |      |
| <b>Restated balance for 2008/2009 (note 52)</b>                     | <b>12 213 185</b> |      |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|   | 2010             | 2009             |
|---|------------------|------------------|
|   | R                | R                |
| <b>38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>  |                  |                  |
| <b>38.1 Fruitless and wasteful expenditure</b>  |                  |                  |
| Reconciliation of fruitless and wasteful expenditure  |                  |                  |
| Opening balance -   |                  |                  |
| Fruitless and wasteful expenditure current year   | 268 804          |                  |
| Interest and penalties on late payment of creditors   | 2 137 476        | 1 438 042        |
| Appointment of 20 employees on 3 March 2008:CCMA settlement agreement   |                  | 297 332          |
| Condoned or written off by Council  |                  | -                |
| Other   | 2 149 813        | -                |
| Fruitless and wasteful expenditure awaiting condonement   | <u>4 556 093</u> | <u>1 735 375</u> |
| For more detail see Appendix F  |                  |                  |
| <b>38.2 Unauthorised expenditure</b>  |                  |                  |
| Audit fees  |                  | 179 402          |
| Leave Provision   |                  | 52 908           |
| Bad debt  |                  | 829 273          |
| Travel allowance paid and not budgeted for (Zanele)   |                  | 58 446           |
| Rental of additional containers for offices   |                  | 346 475          |
| Renovation of municipal offices   |                  | 819 303          |
| Town cleaning not budgeted for  |                  | 96 390           |
| Staff from Department of Health paid for by municipality  |                  | 536 344          |
| Electricity usage and street lights   |                  | 5 113 658        |
|   | <u>-</u>         | <u>8 032 199</u> |
| <b>39 IN-KIND DONATIONS AND ASSISTANCE</b>  |                  |                  |
| District Municipality render auditing assistance to the municipality at no cost. Two inspectors from the Environmental Health Department of the Dr Kenneth Kaunda District Municipality render a health service to the municipality at no cost. |                  |                  |
| <b>40 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>   |                  |                  |
| <b>40.1 Contributions to organised local government</b>   |                  |                  |
| Opening balance   |                  | -                |
| Council subscriptions - SALGA   | 108 667          | 109 778          |
| Amount paid - current   | 108 667          | 109 778          |
| Amount paid - previous years  |                  | -                |
| <b>Balance unpaid (included in payables)</b>  | <u>-</u>         | <u>-</u>         |



**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|   | 2010           | 2009           |
|---|----------------|----------------|
|   | R              | R              |
| <b>40.2 Audit fees</b>  |                |                |
| Opening balance   | 910 243        | 839 648        |
| Current year audit fee  | 2 389 480      | 655 759        |
| Amount paid - current year  | 1 527 771      | 29 101         |
| Amount paid - previous years  | 1 241 122      | 556 063        |
| <b>Balance unpaid (included in payables)</b>                            | <b>530 830</b> | <b>910 243</b> |
| <b>40.3 VAT</b>   |                |                |
| Municipality is on the Payment basis for VAT and submit monthly returns |                |                |
| <b>40.4 PAYE and UIF</b>  |                |                |
| Opening balance   |                | -              |
| Current year payroll deductions and Council Contribution                | 4 744 751      | 4 049 928      |
| Amount paid - current year  | 4 744 751      | 4 049 928      |
| <b>Balance unpaid (included in payables)</b>                            | <b>-</b>       | <b>-</b>       |
| <b>40.5 Pension and Medical Aid Deductions</b>                          |                |                |
| Opening balance   |                | -              |
| Current year payroll deductions and Council Contributions               | 11 732 835     | 10 568 228     |
| Amount paid - current year  | 11 732 835     | 10 568 228     |
| <b>Balance unpaid (included in payables)</b>                            | <b>-</b>       | <b>-</b>       |
| <b>40.6 Councillor's arrear consumer accounts</b>                       |                |                |
| The following Councillors had arrear accounts outstanding:              |                |                |
| <b>as at 30 June 2010</b>   |                | -              |
|   |                | -              |
| All councillors' debtor accounts were settled.                          |                | -              |
| <b>as at 30 June 2009</b>   |                |                |
| <b>Allowances owed to Council</b>                                       |                | 291 532        |
| <b>Total Councillor Allowances</b>                                      |                | <b>291 532</b> |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

**41 CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure**

**- Approved and contracted for**

|                | <b>2010</b>       | <b>2009</b>       |
|----------------|-------------------|-------------------|
|                | <b>R</b>          | <b>R</b>          |
|                | <b>61 971 601</b> | <b>86 008 000</b> |
| Infrastructure | 57 124 621        | 75 668 000        |
| Community      | 1 265 000         | 8 130 000         |
| Heritage       |                   | -                 |
| Other          | 3 581 980         | 2 210 000         |

**- Approved but not yet contracted for**

|                | <b>6 206 500</b> | <b>2 550 000</b> |
|----------------|------------------|------------------|
| Infrastructure | 5 424 800        |                  |
| Community      | 80 200           |                  |
| Heritage       |                  |                  |
| Other          | 701 500          | 2 550 000        |

**Total**

|                   |                   |
|-------------------|-------------------|
| <b>68 178 101</b> | <b>88 558 000</b> |
|-------------------|-------------------|

This expenditure will be financed from:

- External Loans
- MIG
- DBSA
- Government Grants
- Own resources
- District Council Grants

|                   |                   |
|-------------------|-------------------|
|                   | -                 |
| 29 169 773        | 66 768 000        |
| 370 000           | 4 510 000         |
| 16 765 000        | 5 030 000         |
| 18 573 328        | 12 250 000        |
| 3 300 000         | -                 |
| <b>68 178 101</b> | <b>88 558 000</b> |

**42 LEASE LIABILITY**

**Operating Leases: as at 30 June 2010**

Amounts payable under operating leases

|   | Present value of<br>minimum lease<br>payments | Straight lined<br>present value of<br>minimum lease<br>payments |
|---|---|---|
| Within one year   | 985 320                                       | 953 788   |
| Within two to five years  | 1 363 613                                     | 1 188 717   |
| After 5 years   |   |   |
|   | 2 348 933                                     | 2 142 505   |
| Less: Amount due for settlement within 12 months<br>(current portion) | 985 320                                       | 953 788   |
|   | 1 363 613                                     | 1 188 717   |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|   | 2010          | 2009                |
|---|---------------|---------------------|
|   | R             | R                   |
| <b>42 LEASE LIABILITY (cont.)</b>   |               |                     |
| <b>Operating Leases: as at 30 June 2009</b>   |               |                     |
| Amounts payable under operating leases  |               |                     |
| Within one year   |               | 1 128 672           |
| Within two to five years  |               | 1 261 597           |
| After 5 years   |               | 67 107              |
|   |               | <u>2 457 376</u>    |
| Less: Amount due for settlement within 12 months (current portion)  |               | 1 128 672           |
|   |               | <u>1 328 704</u>    |
| <b>43 EVENTS AFTER THE REPORTING DATE</b>   |               |                     |
| None  |               |                     |
| <b>44 COMPARISON WITH THE BUDGET</b>  |               |                     |
| The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix C |               |                     |
| <b>45 RELATED PARTIES</b>   |               |                     |
| <u>Section 57 Managers:</u>   | Refer note 25 |                     |
| <u>Members of Council:</u>  | Refer note 26 |                     |
| <u>District Municipality</u>  |               |                     |
| Dr Kenneth Kaunda District Municipality   |               |                     |
| <b>46 TRAFFIC FINES</b>   |               |                     |
| Traffic fines issued not yet recovered at year end.   |               | <u>11 101 440</u>   |
| <u>Accounting:</u>  |               |                     |
| Average for 3 years 2006/7, 2007/8 and 2008/2009)   | 31.48%        |                     |
| <u>Estimated debtor to be raised for spot fines:</u>  |               |                     |
| Average for 2006/2007, 2007/8 and 2008/2009 less average % collected to date for 2009/2010:                   |               |                     |
| 31.48%-20.38%   | 11.10%        |                     |
| Therefore: estimated recoverable amount   |               |                     |
| R11 101 440*11.10%  |               | <u>1 232 259.84</u> |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|  | 2010 | 2009                    |
|--|------|-------------------------|
|  | R    | R                       |
| <b>47 RISK MANAGEMENT</b>  |      |                         |
| <b>Liquidity risk</b>  |      |                         |
| The municipality's risk to liquidity is a result of the funds available to cover future commitments.   |      |                         |
| The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.   |      |                         |
| Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.   |      |                         |
| <b>Interest rate risk</b>  |      |                         |
| Deposits attract interest at rate that vary with prime. The municipality policy is to manage interest rate risk so that fluctuation in variable rates does not have a material impact on profit/loss.                  |      |                         |
| The municipality's income and operating cash are substantially independent of changes in market rates.   |      |                         |
| The municipality has no significant interest bearing assets.   |      |                         |
| <b>Credit risk</b>   |      |                         |
| Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. |      |                         |
| Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Credit guarantee insurance is purchased when deemed appropriate.                    |      |                         |
| <b>48 CONTINGENCIES</b>  |      |                         |
| Contingent liability   |      |                         |
| <b>49 WORLD CUP EXPENDITURE</b>  |      |                         |
| 2010 FIFA world cup expenditure for the year:  |      |                         |
| Number of tickets acquired   |      | -                       |
| Publicity costs, security expenses, entertainments, meals, travelling and accommodation expense  |      | 2 272 807               |
| <b>Total</b>   |      | <u><u>2 272 807</u></u> |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|             |             |
|-------------|-------------|
| <b>2010</b> | <b>2009</b> |
| <b>R</b>    | <b>R</b>    |

**50 IMPLEMENTATION OF GRAP ACCOUNTING STANDARDS**

The municipality has implemented the following effective GRAP accounting standards to the extent as mentioned:

**GRAP 12 - Inventory**

Progress till 30 June 2010

The identification of all municipal owned land / or municipal occupied as well as property for rental is in process.

Outstanding issues

Finalisation of identification and listing of all municipal owned land / or municipal occupied as well as property for rental.

Accounting for municipal stands available for resale. (Inventory)

Split of market values for municipal stands between site and improvement value

Update of asset register referring to investment property, inventory and property, plant and equipment and relevant split values

**GRAP13 - Leases**

Progress till 30 June 2010

All lease agreements were collected and placed on file.

The split between finance leases and operating leases are completed and this resulted in the municipality having only operating leases. The Lease Register is updated.

All operating leases were straight-lined.

Outstanding issues

None

**GRAP 16 - Investment Property**

Progress till 30 June 2010

The identification of all municipal owned land / or municipal occupied as well as property for rental is in process. All movable assets were physically verified.

Outstanding issues

Split of market values for municipal stands between site and improvement value

Update of asset register with new split values.

**GRAP 17 - Property, plant and equipment**

Progress till 30 June 2010

All movable assets were physical verified and inventory lists with floor plans were affixed to all offices.

Outstanding issues

Unbundling of infrastructure for electricity, roads, water and sewer.

The carrying values of items of property, plant and equipment have not been adjusted with impairment losses as no impairment testing was done. The useful lives and residual values of assets classified as property, plant and equipment were not reviewed during the year under review. This is in line with the accounting policy applied in the previous financial year.

The depreciation method was not reviewed. The current year's accounting policy agrees with that applied in the previous financial year.

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

**2010**  
**R**                      **2009**  
**R**

The assets in question were not assessed for possible impairment. This is in line with the accounting policy applied in the previous financial year.

**ACCOUNTING STANDARDS AND  
INTERPRETATIONS THAT ARE NOT YET  
EFFECTIVE**

51

The following standards are not yet effective and not yet adopted by the municipality:

- GRAP 18: Segment reporting
- GRAP 21: Impairment of non-cash generating assets
- GRAP 23: Revenue from non-exchange transactions
- GRAP 24: Presentation of Budget information in Financial Statements
- GRAP 103: Heritage assets
- GRAP 104: Financial instruments
- IFRIC 17: Distribution of non-cash assets to owners.

**52 EMPLOYEE BENEFITS**

**Post-employment Health Care Benefits**

|                               |            |            |
|-------------------------------|------------|------------|
| Opening accrued liability     | 11 058 839 | 9 794 172  |
| Total annual expense          | 1 320 315  | 1 294 389  |
| Current-service cost          | 696 526    | 588 499    |
| Interest Cost                 | 982 553    | 1 032 842  |
| Contributions (benefits paid) | (358 764)  | (326 952)  |
| Actuarial loss / gain         | (844 983)  | (29 722)   |
| Closing accrued liability     | 11 534 171 | 11 058 839 |

The Projected Unit Credit Method has been used to value the liabilities

**Key assumptions**

Key financial assumptions

| Assumption                      | Value p.a. |
|---------------------------------|------------|
| Discount rate                   | 9.22%      |
| Health care host inflation rate | 7.27%      |
| Net effective discount rate     | 1.82%      |

Key demographic assumptions

| Assumption  | Value      |
|---|------------|
| Average retirement age  | 60         |
| Continuation of membership at retirement  | 90%        |
| Proportion assumed married at retirement  | 90%        |
| Proportion of eligible current non-member employee joining the scheme by retirement | 20%        |
| Mortality during employment   | SA 85 - 90 |
| Mortality post retirement   | PA90-1     |
| Withdrawal from service (sample annual rates)                                       | Age        |
|   | 20         |
|   | 30         |
|   | 40         |

Females

24%

0

0

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|  | 2010 | 2009 |
|--|------|------|
|  | R    | R    |
|  | 50   | 0    |
|  | >55  | -    |

**52 EMPLOYEE BENEFITS (cont.)**

The projections assume that the municipality's health care arrangements and subsidy policy will remain as outlined and that no contributions are made by the municipality towards prefunding its liability via an off-balance sheet vehicle.

Contributions or benefits paid refer to medical scheme contributions made by the municipality with respect to its subsidy of current continuation members

There are no Past Service Costs, Curtailments or Settlements to reflect.

**Long Service awards**

|                           |           |           |
|---------------------------|-----------|-----------|
| Opening accrued liability | 1 154 346 | 1 024 049 |
| Total annual expense      | 387 115   | 162 954   |
| Current-service cost      | 182 977   | 166 991   |
| Interest cost             | 101 216   | 106 401   |
| Benefit vestings          | 102 922   | (110 438) |
| Actuarial loss / gain     | (129 463) | (32 657)  |
| Closing accrued liability | 1 411 998 | 1 154 346 |

The Projected Unit Credit Method has been used to value the liabilities.

**Key assumptions**

Key financial assumptions:

| Assumption                      | Value p.a. |
|---------------------------------|------------|
| Discount rate                   | 9.04%      |
| Health care host inflation rate | 6.34%      |
| Net effective discount rate     | 2.54%      |

Key demographic assumption:

| Assumption                                    | Value      |
|---|------------|
| Average retirement age                        | 60         |
| Mortality during employment                   | SA 85 - 90 |
| Withdrawal from service (sample annual rates) | Age        |
|   | 20         |
|   | 30         |
|   | 40         |
|   | 50         |
|   | >55        |

The projections assume that the LSA arrangements will remain as outlined and that all the actuarial assumptions made are borne out of practice. In addition, it is assumed that no contributions are made by the Employer towards prefunding its liability via an off-balance sheet vehicle.

There are no Past Service Costs, Curtailments or Settlements to reflect.

Full detail of actuarial valuation is available.

**53 RESERVES**

|                          |             |             |
|--------------------------|-------------|-------------|
| Capitalization reserve   | 510 962     | 575 202     |
| Housing Development Fund | 667 131     | 667 131     |
| Government grant reserve | 344 154 469 | 326 335 244 |

**Maquassi Hills Local Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2010

|                             | <b>2010</b>        | <b>2009</b>        |
|-----------------------------|--------------------|--------------------|
|                             | <b>R</b>           | <b>R</b>           |
| Capital Replacement Reserve | -                  | -                  |
| Total Reserves              | <u>345 332 562</u> | <u>327 577 576</u> |



**Maquassi Hills Local Municipality**

**APPENDIX A**

**SCHEDULE OF EXTERNAL LOANS**

for the year ended 30 June 2010

| <b>EXTERNAL LOANS</b>             | <b>Loan number</b> | <b>Redeemable Date</b> | <b>Balance at 30 June 2009</b> | <b>Received during the period</b> | <b>Redeemed / written off during the period</b> | <b>Balance at 30 June 2010</b> |
|-----------------------------------|--------------------|------------------------|--------------------------------|-----------------------------------|---|--------------------------------|
|                                   |                    |                        | <b>R</b>                       | <b>R</b>                          | <b>R</b>  | <b>R</b>                       |
| <b>ANNUITY LOAN : DBSA</b>        |                    |                        |                                |                                   |   |                                |
| 1979 @ 11.00%    9                | 15579/9            | 2 009                  | -                              |                                   | -   | -                              |
| 1985 @ 13.75%    16               | 15249/101          | 2 014                  | 375 414                        |                                   | 49 567  | 325 847                        |
| 1988 @ 13.75%    19               | 15249              | 2 014                  | 201 271                        |                                   | 30 333  | 170 938                        |
| 1988 @ 16.12%    10               |                    | 2 007                  | -                              |                                   |   | -                              |
| 1989 @ 15.88%    11               | 15579/11           | 2 008                  | -                              |                                   |   | -                              |
|                                   | 102801_7 &         |                        |                                |                                   |   |                                |
| 2009 @ 5%        11               | 102801_8           | 2 029                  | 56 000 000                     |                                   | 2 500 000                                       | 53 500 000                     |
|                                   |                    |                        |                                |                                   |   | -                              |
|                                   |                    |                        |                                |                                   |   | -                              |
|                                   |                    |                        |                                |                                   |   | -                              |
| <b>Vehicle Loan (R2,000,000)</b>  | 102623/1           |                        | 1 348 954                      |                                   | 440 574   | 908 380                        |
| <b>Sewer Loan (Kgakala)</b>       | 10263/102          |                        | 1 288 044                      |                                   | 122 435   | 1 165 609                      |
| 2008 @5%        20                | 102901/1           | 2 028                  | 507 906                        |                                   | 16 452  | 491 454                        |
| 2008 @5%        15                | 102901/2           | 2013/2023              | 1 109 416                      |                                   | 263 002   | 846 414                        |
| 2008 @5%        15                | 102901/3           | 2013/2023              | 1 433 177                      |                                   | 73 173  | 1 360 004                      |
| <b>Wesbank Loans</b>              |                    |                        |                                |                                   |   | -                              |
| 2006 Mayoral Vehicle prime less 1 |                    | 2 006                  | 17 048                         |                                   | 17 048  | -                              |
| 2008 BMW                          |                    | 2 008                  | -                              |                                   |   | -                              |
|                                   |                    |                        |                                |                                   |   | -                              |
| <b>Annuity loans: ABSA</b>        |                    |                        |                                |                                   |   | -                              |
| 1999 @ 14.50%                     | INCA               | 2 013                  | 30 470                         |                                   | 6 100   | 24 370                         |
| <b>TOTAL EXTERNAL LOANS</b>       |                    |                        | <b>62 311 700</b>              | <b>-</b>                          | <b>3 518 684</b>                                | <b>58 793 016</b>              |

**Maquassi Hills Local Municipality**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
for the year ended 30 June 2010

|                               | Cost / Revaluation |            |           |                    |                 | Accumulated Depreciation |              |           |   |                 | Transfers | Other movements |
|-------------------------------|--------------------|------------|-----------|--------------------|-----------------|--------------------------|--------------|-----------|---|-----------------|-----------|-----------------|
|                               | Opening Balance    | Additions  | Disposals | Under Construction | Closing Balance | Opening Balance          | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance |           |                 |
|                               | R                  | R          | R         | R                  | R               | R                        | R            | R         | R   | R               | R         | R               |
| <b>Land</b>                   |                    |            |           |                    |                 |                          |              |           |   |                 |           |                 |
| Land                          | 5 223 942          | -          | -         | -                  | 5 223 942       | -                        | -            | -         | -   | -               | -         | -               |
| Landfill Sites                | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Quarries                      | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
|                               | 5 223 942          | -          | -         | -                  | 5 223 942       | -                        | -            | -         | -   | -               | -         | -               |
| <b>Buildings</b>              | 18 995 666         | 34 200     | (33 932)  | 14 531 760         | 33 527 694      | (3 048 194)              | (648 991)    | 20 831    | -   | (3 676 354)     | -         | -               |
| <b>Infrastructure</b>         |                    |            |           |                    |                 |                          |              |           |   |                 |           |                 |
| Drains                        | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Roads                         | 61 719 572         | 5 686 260  | -         | 18 949 302         | 86 355 135      | (6 449 615)              | (2 937 843)  | -         | -   | (9 387 458)     | -         | -               |
| Sewerage Mains & Purification | 72 824 539         | 12 701 636 | -         | 2 248 060          | 87 774 235      | (8 437 474)              | (2 227 075)  | -         | -   | (10 664 548)    | -         | -               |
| Electricity Mains             | 7 561 105          | 187 392    | -         | -                  | 7 748 497       | (1 828 921)              | (337 817)    | -         | -   | (2 166 738)     | -         | -               |
| Electricity Peak Load Equip   | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Water Mains & Purification    | 254 324 164        | 7 177 554  | -         | 11 795 415         | 273 297 133     | (28 301 178)             | (12 321 912) | -         | -   | (40 623 091)    | -         | -               |
| Reservoirs – Water            | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Water Meters                  | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Storm Water                   | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
|                               | 396 429 381        | 25 752 842 | -         | 32 992 777         | 455 175 000     | (45 017 188)             | (17 824 647) | -         | -   | (62 841 835)    | -         | -               |
| <b>Community Assets</b>       |                    |            |           |                    |                 |                          |              |           |   |                 |           |                 |
| Parks & Gardens               | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Libraries                     | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Recreation Grounds            | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Civic Buildings               | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Stadiums                      | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Halls                         | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Theatre                       | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Swimming Pools                | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Cemeteries                    | 997 304            | -          | -         | -                  | 997 304         | (132 974)                | (33 243)     | -         | -   | (166 217)       | -         | -               |
|                               | 997 304            | -          | -         | -                  | 997 304         | (132 974)                | (33 243)     | -         | -   | (166 217)       | -         | -               |
| <b>Heritage Assets</b>        |                    |            |           |                    |                 |                          |              |           |   |                 |           |                 |
| Historical Buildings          | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Paintings & Artefacts         | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
|                               | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| <b>Total carried forward</b>  | 421 646 293        | 25 787 042 | (33 932)  | 47 524 537         | 494 923 939     | (48 198 355)             | (18 506 881) | 20 831    | -   | (66 684 406)    | -         | -               |

**Maquassi Hills Local Municipality**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
for the year ended 30 June 2010

|  | Cost / Revaluation |                   |                  |                    |                    | Accumulated Depreciation |                     |               |   |                     | Transfers      | Other movements |
|--|--------------------|-------------------|------------------|--------------------|--------------------|--------------------------|---------------------|---------------|---|---------------------|----------------|-----------------|
|  | Opening Balance    | Additions         | Disposals        | Under Construction | Closing Balance    | Opening Balance          | Depreciation        | Disposals     | Impairment loss/Reversal of impairment loss | Closing Balance     |                |                 |
|  | R                  | R                 | R                | R                  | R                  | R                        | R                   | R             | R   | R                   | R              | R               |
| <b>Total brought forward</b>                   | 421 646 293        | 25 787 042        | (33 932)         | 47 524 537         | 494 923 939        | (48 198 355)             | (18 506 881)        | 20 831        | -   | (66 684 406)        | -              | -               |
| <b>Other Assets</b>                            |                    |                   |                  |                    |                    |                          |                     |               |   |                     |                |                 |
| Office Equipment                               | -                  | -                 | -                | -                  | -                  | -                        | -                   | -             | -   | -                   | -              | -               |
| Furniture & Fittings                           | 2 226 834          | 181 114           | -                | -                  | 2 407 949          | (913 182)                | (227 516)           | -             | -   | (1 140 699)         | -              | -               |
| Bins and Containers                            | 630 980            | -                 | -                | -                  | 630 980            | (463 528)                | (19 698)            | -             | -   | (483 227)           | -              | -               |
| Emergency Equipment                            | -                  | -                 | -                | -                  | -                  | -                        | -                   | -             | -   | -                   | -              | -               |
| Motor vehicles                                 | 13 454 464         | 945 070           | (110 439)        | -                  | 14 289 095         | (4 232 604)              | (1 583 972)         | 36 813        | -   | (5 779 764)         | -              | -               |
| Fire engines                                   | -                  | -                 | -                | -                  | -                  | -                        | -                   | -             | -   | -                   | -              | -               |
| Refuse tankers                                 | -                  | -                 | -                | -                  | -                  | -                        | -                   | -             | -   | -                   | -              | -               |
| Computer Equipment                             | 2 612 047          | 90 839            | -                | -                  | 2 702 886          | (957 668)                | (390 712)           | -             | -   | (1 348 380)         | (6 754)        | 1 013           |
| Computer Software (part of computer equipment) | -                  | -                 | -                | -                  | -                  | -                        | -                   | -             | -   | -                   | -              | -               |
| Other Assets                                   | 2 086 939          | 75 981            | -                | -                  | 2 162 920          | (842 355)                | (238 961)           | -             | -   | (1 081 316)         | -              | -               |
|  | 21 011 264         | 1 293 005         | (110 439)        | -                  | 22 193 830         | (7 409 338)              | (2 460 860)         | 36 813        | -   | (9 833 386)         | (6 754)        | 1 013           |
| <b>Finance Lease Assets</b>                    |                    |                   |                  |                    |                    |                          |                     |               |   |                     |                |                 |
| Office Equipment                               | -                  | -                 | -                | -                  | -                  | -                        | -                   | -             | -   | -                   | -              | -               |
| Other Assets                                   | -                  | -                 | -                | -                  | -                  | -                        | -                   | -             | -   | -                   | -              | -               |
|  | -                  | -                 | -                | -                  | -                  | -                        | -                   | -             | -   | -                   | -              | -               |
| <b>Total</b>                                   | <b>442 657 557</b> | <b>27 080 046</b> | <b>(144 371)</b> | <b>47 524 537</b>  | <b>517 117 769</b> | <b>(55 607 693)</b>      | <b>(20 967 742)</b> | <b>57 644</b> | <b>-</b>                                    | <b>(76 517 792)</b> | <b>(6 754)</b> | <b>1 013</b>    |

**Maquassi Hills Local Municipality**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
for the year ended 30 June 2009

|                               | Cost / Revaluation |            |           |                    |                 | Accumulated Depreciation |              |           |   |                 | Transfers | Other movements |
|-------------------------------|--------------------|------------|-----------|--------------------|-----------------|--------------------------|--------------|-----------|---|-----------------|-----------|-----------------|
|                               | Opening Balance    | Additions  | Disposals | Under Construction | Closing Balance | Opening Balance          | Depreciation | Disposals | Impairment loss/Reversal of impairment loss | Closing Balance |           |                 |
|                               | R                  | R          | R         | R                  | R               | R                        | R            | R         | R   | R               | R         | R               |
| <b>Land</b>                   |                    |            |           |                    |                 |                          |              |           |   |                 |           |                 |
| Land                          | 5 223 942          | -          | -         |                    | 5 223 942       |                          |              |           | -   | -               | -         | -               |
| Landfill Sites                | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Quarries                      | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
|                               | 5 223 942          | -          | -         | -                  | 5 223 942       | -                        | -            | -         | -   | -               | -         | -               |
| <b>Buildings</b>              | 13 650 297         | 5 345 369  | -         | 7 352 894          | 26 348 560      | (2 459 942)              | (588 252)    | -         | -   | (3 048 194)     | -         | -               |
| <b>Infrastructure</b>         |                    |            |           |                    |                 |                          |              |           |   |                 |           |                 |
| Drains                        | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Roads                         | 47 382 171         | 14 337 402 | -         | 3 833 581          | 65 553 153      | (4 249 900)              | (2 199 715)  | -         | -   | (6 449 615)     | -         | -               |
| Sewerage Mains & Purification | 67 542 087         | 5 282 452  | -         | -                  | 72 824 539      | (6 409 477)              | (2 027 997)  | -         | -   | (8 437 474)     | -         | -               |
| Electricity Mains             | 4 220 903          | 3 340 202  | -         | -                  | 7 561 105       | (1 571 118)              | (257 803)    | -         | -   | (1 828 921)     | -         | -               |
| Electricity Peak Load Equip   | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Water Mains & Purification    | 202 522 638        | 51 801 527 | -         | 1 942 385          | 256 266 549     | (16 602 396)             | (11 698 782) | -         | -   | (28 301 178)    | -         | -               |
| Reservoirs – Water            | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Water Meters                  | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Storm Water                   | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
|                               | 321 667 798        | 74 761 583 | -         | 5 775 966          | 402 205 347     | (28 832 890)             | (16 184 297) | -         | -   | (45 017 188)    | -         | -               |
| <b>Community Assets</b>       |                    |            |           |                    |                 |                          |              |           |   |                 |           |                 |
| Parks & Gardens               | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Libraries                     | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Recreation Grounds            | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Civic Buildings               | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Stadiums                      | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Halls                         | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Theatre                       | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Swimming Pools                | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Cemeteries                    | 997 304            | -          | -         | -                  | 997 304         | (99 730)                 | (33 243)     | -         | -   | (132 974)       | -         | -               |
|                               | 997 304            | -          | -         | -                  | 997 304         | (99 730)                 | (33 243)     | -         | -   | (132 974)       | -         | -               |
| <b>Heritage Assets</b>        |                    |            |           |                    |                 |                          |              |           |   |                 |           |                 |
| Historical Buildings          | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| Paintings & Artefacts         | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
|                               | -                  | -          | -         | -                  | -               | -                        | -            | -         | -   | -               | -         | -               |
| <b>Total carried forward</b>  | 341 539 341        | 80 106 952 | -         | 13 128 859         | 434 775 152     | (31 392 562)             | (16 805 793) | -         | -   | (48 198 355)    | -         | -               |

**Maquassi Hills Local Municipality**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
for the year ended 30 June 2009

|  | Cost / Revaluation |                   |                    |                    |                    | Accumulated Depreciation |                     |                  |   |                     | Transfers | Other movements |
|--|--------------------|-------------------|--------------------|--------------------|--------------------|--------------------------|---------------------|------------------|---|---------------------|-----------|-----------------|
|  | Opening Balance    | Additions         | Disposals          | Under Construction | Closing Balance    | Opening Balance          | Depreciation        | Disposals        | Impairment loss/Reversal of impairment loss | Closing Balance     |           |                 |
|  | R                  | R                 | R                  | R                  | R                  | R                        | R                   | R                | R   | R                   | R         | R               |
| <b>Total brought forward</b>                   | 341 539 341        | 80 106 952        | -                  | 13 128 859         | 434 775 152        | (31 392 562)             | (16 805 793)        | -                | -   | (48 198 355)        | -         | -               |
| <b>Other Assets</b>                            |                    |                   |                    |                    |                    |                          |                     |                  |   |                     |           |                 |
| Office Equipment                               | -                  | -                 | -                  | -                  | -                  | -                        | -                   | -                | -   | -                   | -         | -               |
| Furniture & Fittings                           | 1 826 968          | 448 452           | (48 585)           | -                  | 2 226 834          | (787 211)                | (174 511)           | 48 539           | -   | (913 182)           | -         | -               |
| Bins and Containers                            | 630 980            | -                 | -                  | -                  | 630 980            | (443 830)                | (19 698)            | -                | -   | (463 528)           | -         | -               |
| Emergency Equipment                            | -                  | -                 | -                  | -                  | -                  | -                        | -                   | -                | -   | -                   | -         | -               |
| Motor vehicles                                 | 11 515 299         | 3 063 992         | (1 124 827)        | -                  | 13 454 464         | (4 004 885)              | (1 293 664)         | 1 065 945        | -   | (4 232 604)         | -         | -               |
| Fire engines                                   | -                  | -                 | -                  | -                  | -                  | -                        | -                   | -                | -   | -                   | -         | -               |
| Refuse tankers                                 | -                  | -                 | -                  | -                  | -                  | -                        | -                   | -                | -   | -                   | -         | -               |
| Computer Equipment                             | 1 815 238          | 884 857           | (88 048)           | -                  | 2 612 047          | (791 022)                | (254 006)           | 87 360           | -   | (957 668)           | -         | -               |
| Computer Software (part of computer equipment) | -                  | -                 | -                  | -                  | -                  | -                        | -                   | -                | -   | -                   | -         | -               |
| Other Assets                                   | 1 718 484          | 473 986           | (105 531)          | -                  | 2 086 939          | (747 519)                | (171 951)           | 77 115           | -   | (842 355)           | -         | -               |
|  | 17 506 969         | 4 871 286         | (1 366 991)        | -                  | 21 011 264         | (6 774 467)              | (1 913 831)         | 1 278 960        | -   | (7 409 338)         | -         | -               |
| <b>Finance Lease Assets</b>                    |                    |                   |                    |                    |                    |                          |                     |                  |   |                     |           |                 |
| Office Equipment                               | -                  | -                 | -                  | -                  | -                  | -                        | -                   | -                | -   | -                   | -         | -               |
| Other Assets                                   | -                  | -                 | -                  | -                  | -                  | -                        | -                   | -                | -   | -                   | -         | -               |
|  | -                  | -                 | -                  | -                  | -                  | -                        | -                   | -                | -   | -                   | -         | -               |
| <b>Total</b>                                   | <b>359 046 310</b> | <b>84 978 238</b> | <b>(1 366 991)</b> | <b>13 128 859</b>  | <b>455 786 416</b> | <b>(38 167 029)</b>      | <b>(18 719 624)</b> | <b>1 278 960</b> | <b>-</b>                                    | <b>(55 607 693)</b> | <b>-</b>  | <b>-</b>        |

|                       |
|-----------------------|
|                       |
| <b>Carrying Value</b> |
| <b>R</b>              |
| 5 223 942             |
| -                     |
| -                     |
| 5 223 942             |
| 29 851 340            |
| -                     |
| 76 967 676            |
| 77 109 687            |
| 5 581 759             |
| -                     |
| 232 674 043           |
| -                     |
| -                     |
| -                     |
| 392 333 165           |
| -                     |
| -                     |
| -                     |
| -                     |
| -                     |
| -                     |
| -                     |
| 831 086               |
| 831 086               |
| -                     |
| -                     |
| -                     |
| 428 239 533           |

|                       |
|-----------------------|
|                       |
| <b>Carrying Value</b> |
| R                     |
| 428 239 533           |
| -                     |
| 1 267 250             |
| 147 753               |
| -                     |
| 8 509 331             |
| -                     |
| -                     |
| 1 348 765             |
| -                     |
| 1 081 604             |
| 12 354 703            |
| -                     |
| -                     |
| -                     |
| <b>440 594 236</b>    |

|                       |
|-----------------------|
|                       |
| <b>Carrying Value</b> |
| R                     |
| 5 223 942             |
| -                     |
| -                     |
| 5 223 942             |
| 23 300 366            |
| -                     |
| 59 103 539            |
| 64 387 066            |
| 5 732 184             |
| -                     |
| 227 965 371           |
| -                     |
| -                     |
| -                     |
| 357 188 159           |
| -                     |
| -                     |
| -                     |
| -                     |
| -                     |
| -                     |
| -                     |
| 864 330               |
| 864 330               |
| -                     |
| -                     |
| -                     |
| 386 576 797           |



|                       |
|-----------------------|
|                       |
| <b>Carrying Value</b> |
| R                     |
| 386 576 797           |
| -                     |
| 1 313 652             |
| 167 452               |
| -                     |
| 9 221 859             |
| -                     |
| -                     |
| 1 654 379             |
| -                     |
| 1 244 584             |
| 13 601 926            |
| -                     |
| -                     |
| -                     |
| <b>400 178 723</b>    |

**Maquassi Hills Municipality**

**APPENDIX C**

**ACTUAL VERSUS BUDGET: (REVENUE AND EXPENDITURE)**

for the year ended 30 June 2010

|  | 2010<br>Actual<br>R | 2010<br>Budget<br>R | 2010<br>Variance<br>R | 2010<br>Variance |
|--|---------------------|---------------------|-----------------------|------------------|
| <b>Revenue</b>                                     |                     |                     |                       |                  |
| Property rates                                     | 16 895 719          | 18 909 871          | (2 014 152)           | -10.65%          |
| Service charges                                    | 75 305 589          | 58 433 712          | 16 871 877            | 28.87%           |
| Rental of facilities and equipment                 | 282 395             | 300 903             | (18 508)              | -6.15%           |
| Interest earned - external investments             | 2 749 709           | 150 000             | 2 599 709             | 1733.14%         |
| Interest earned - outstanding debtors              | 9 637 514           | 500 000             | 9 137 514             | 1827.50%         |
| Dividends received                                 | 2 859               | -                   | 2 859                 |                  |
| Fines  | 8 046 499           | 12 508 500          | (4 462 001)           | -35.67%          |
| Licences and permits                               | 8 114 076           | 8 915 000           | (800 924)             | -8.98%           |
| Government grants and subsidies                    | 83 981 277          | 114 619 540         | (30 638 263)          | -26.73%          |
| Other income                                       | 1 919 377           | 629 320             | 1 290 057             | 204.99%          |
| Gains on disposal of property, plant and equipment | 68 486              |                     | 68 486                |                  |
| <b>Total revenue</b>                               | <b>207 003 501</b>  | <b>214 966 846</b>  | <b>(7 963 345)</b>    | <b>(0)</b>       |
| <b>Expenditure</b>                                 |                     |                     |                       |                  |
| Employee cost wages / salaries                     | 34 692 214          | 39 184 617          | (4 492 403)           | -11.46%          |
| Employee cost social contributions                 | 8 355 252           | 10 315 504          | (1 960 252)           | -19.00%          |
| Remuneration Councillors                           | 4 231 738           | 4 268 420           | (36 682)              | -0.86%           |
| Bad debts  | 110 089 916         | 10 981 499          | 99 108 417            | 902.50%          |
| Depreciation                                       | 21 060 804          | 2 842 940           | 18 217 864            | 640.81%          |
| Repairs and maintenance                            | 2 965 518           | 3 941 801           | (976 283)             | -24.77%          |
| Internal expense external borrowing                | 3 346 321           | 4 146 436           | (800 115)             | -19.30%          |
| Bulk Purchases                                     | 33 035 138          | 32 786 815          | 248 323               | 0.76%            |
| Contracted Services                                | 12 808 875          | 10 047 195          | 2 761 680             | 27.49%           |
| General expenses other                             | 35 255 051          | 37 644 921          | (2 389 870)           | -6.35%           |
| Loss on disposal of property, plant and equipment  | -                   |                     | -                     |                  |
| <b>Total expenditure</b>                           | <b>265 840 826</b>  | <b>156 160 148</b>  | <b>109 680 678</b>    | <b>70.24%</b>    |
| <b>Surplus / (deficit)</b>                         | <b>(58 837 326)</b> | <b>58 806 698</b>   | <b>(117 644 024)</b>  | <b>100.00%</b>   |

**Maquassi Hills Municipality**  
**APPENDIX F**  
**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**  
for the year ended 30 June 2010

| REFERAL DATE | FINALISATION DATE | EMPLOYEE DETAILS | EMPLOYEE NUMBER | BRIEF DESCRIPTION OF EVENT  | AMOUNT R     | FINALIZED ACTION TAKEN   |
|--------------|-------------------|------------------|-----------------|---|--------------|--|
|              |                   |                  |                 | Toshiba E 200 Photocopier - rental period terminated on 22 June 2009. Company never cancelled monthly rental debit order and municipality continued payments. Investigations alleged that the copier was replaced by another one. If proven correct a refund will be claimed from Samsung           | R 105 193.68 | Samsung was phoned on 19 May 2011. Awaiting response   |
|              |                   |                  |                 | Gestetner 2615 Photocopier- rental period lapsed on 12 July 2007. The lease was cancelled but the wrong reference number was used. Fruitless expenditure is as follows: R3553.80 2007/8, R3553.80 2008/2009 and R3553.80 2009/2010.   | R 9 352.11   | Fintech responded that the rental was cancelled in October 2010 and that they will refund the monthly payments from November 2010 till March 2011. R295.16 was paid monthly. Refund will total to R1475.80 |
|              |                   |                  |                 | Axial Plessey PABX system: rental period terminated on 31 March 2004 but debit order was not cancelled. Rental was eventually terminated and final debit order will go through during May 2011. Fruitless expenditure is as follows: R57451.44 2007/08, R557451.44 2008/09 and R57451.44 2009/2010. | R 151 187.70 | Rental terminated in January 2011 and final debit order will be May 2011.  |
|              | 30/8/2010         | Mr Mokoto        |                 | Person was dismissed by the then Mayor. A case for unfair dismissal was referred to the CCMA. A settlement amount of R181 876 was rewarded to Mr Mokoto   | R 181 876.00 | Settlement amount was paid   |
|              | 29/11/2010        | Mr Mokoto        |                 | The CCMA rewarded a second settlement to Mr Mokoto again referring to the unfair dismissal.   | R 73 781.00  | 2nd settlement amount was paid. The legal fees for the two CCMA hearing amounted to R 20 129   |
|              | 29/11/2010        |                  |                 | Legal fees for 2 CCMA hearings  | R 20 129.00  | The legal fees for the two CCMA hearing amounted to R 20 129 and was paid to Cheadle Thompson  |
|              | 1/11/2010         | Ms T. Smit       |                 | Ms Smit had a case regarding the level of her placement   | R 16 854.00  | CCMA Commissioner awarded R16 854 To Ms Smit   |

**Maquassi Hills Municipality**  
**APPENDIX F**  
**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**  
for the year ended 30 June 2010

| REFERAL DATE | FINALISATION DATE | EMPLOYEE DETAILS                        | EMPLOYEE NUMBER | BRIEF DESCRIPTION OF EVENT  | AMOUNT R       | FINALIZED ACTION TAKEN   |
|--------------|-------------------|---|-----------------|---|----------------|--|
|              | 21/01/2011        | Simon Selete and Samuel Marupeng        |                 | A donation received from the ANC was utilised for their own personal activities. Legal fees and donation totals R125 965  | R 125 965.00   | Case is still pending  |
|              | 21/01/2011        | L. Ralegetho                            |                 | Mr Ralegetho was suspended and the case was eventually referred to the Labour Court. The Court was in favour of Mr Ralegetho and he was re-instated. The legal fees charged by Cheadle Thompson for council and paid to Eric Louw by Council amounts to R88 725 and R0 212 respectively | R 178 937.00   | Finalised. Mr Ralegetho reinstated   |
|              | 8/2/2011          | Mr Mapholi                              |                 | Mr Mapholi committed council to pay labourers appointed by Innovative Extreme Developments. He had no mandate to such action.   | R 120 792      | Pending. A committee constituted from councillors was established per LC res 15/2011 taken during a council meeting held on 31 March 2011 This committee did not have any meeting yet and all cases referred to them for investigation are still pending. The Committee will have to be re-established as the Municipal Elections was held on 18 May 2011 and new councillors elected. |
|              | 01 October 2010   | Mr Mapholi and representative from DBSA |                 | Advertisement of tenders invited by persons. These tenders had no specifications or tender documents  |                | Pending. A committee constituted from councillors was established per LC res 15/2011 taken during a council meeting held on 31 March 2011 This committee did not have any meeting yet and all cases referred to them for investigation are still pending. The Committee will have to be re-established as the Municipal Elections was held on 18 May 2011 and new councillors elected. |
|              | Nov/Dec 2010      |   |                 | A special investigation by the Auditor General proofed that deviations from the SCM policy and procedures occurred during the allocation of the following tenders: Rulaganyang Sport Facility   | R 1 190 948.00 | Pending. A committee constituted from councillors was established per LC res 15/2011 taken during a council meeting held on 31 March 2011 This committee did not have any meeting yet and all cases referred to them for investigation are still pending. The Committee will have to be re-established as the Municipal Elections was held on 18 May 2011 and new councillors elected. |

**Maquassi Hills Municipality**  
**APPENDIX F**  
**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**  
for the year ended 30 June 2010

| REFERAL DATE  | FINALISATION DATE | EMPLOYEE DETAILS    | EMPLOYEE NUMBER | BRIEF DESCRIPTION OF EVENT  | AMOUNT R       | FINALIZED ACTION TAKEN   |
|---------------|-------------------|---------------------|-----------------|---|----------------|--|
|               | Nov/Dec 2010      |                     |                 | A special investigation by the Auditor General proofed that deviations from the SCM policy and procedures occurred during the allocation of the following tender: Boskuil Sport Facility                | R 379 856.00   | Pending. A committee constituted from councillors was established per LC res 15/2011 taken during a council meeting held on 31 March 2011 This committee did not have any meeting yet and all cases referred to them for investigation are still pending. The Committee will have to be re-established as the Municipal Elections was held on 18 May 2011 and new councillors elected. |
|               | Nov/Dec 2010      |                     |                 | A special investigation by the Auditor General proofed that deviations from the SCM policy and procedures occurred during the allocation of the following tender: Rulaganyang Sewer and Oxidation Ponds | R 2 000 000.00 | Pending. A committee constituted from councillors was established per LC res 15/2011 taken during a council meeting held on 31 March 2011 This committee did not have any meeting yet and all cases referred to them for investigation are still pending. The Committee will have to be re-established as the Municipal Elections was held on 18 May 2011 and new councillors elected. |
| 01 March 2011 |                   | Ms K.J. Bampihitile |                 | Ms Bampihitile has a placement level case with municipality. The case was referred to the CCMA  |                | Case is at CCMA level  |
|               |                   | Ms K. Moilwa        |                 | Person was in a temporary capacity and overcharged a member of the public during the processing of a vehicle registration transaction.  | R 875          | Ms Moilwa is no more in the employ of the municipality and the R875 will have to be written off  |

**TOTAL**

**R 4 555 746.49**

**Maquassi Hills Municipality  
APPENDIX E**

**INVESTMENTS SCHEDULE**

for the year ended 30 June 2010

| No | Invested with:  | Account No.  | Balance<br>01-Jul-09 | Invested          | W/Drawn              | Charges          | Balance              | Accrued<br>Interest | Interest<br>Received |
|----|-----------------|--------------|----------------------|-------------------|----------------------|------------------|----------------------|---------------------|----------------------|
| 1  | ABSA            | 40 5568 6261 | 1 925 486.63         | 5 804 781.03      | -5 057 321.22        | -2 235.35        | 2 670 711.09         | 7 738.51            | 153 411.03           |
| 2  | ABSA            | 40 5254 3232 | 76 665.44            | 1 704.45          | 0.00                 | -644.00          | 77 725.89            | 127.77              | 1 609.93             |
| 3  | ABSA            | 62022159538  | 2 690.64             | 27.03             | 0.00                 | 0.00             | 2 717.67             | 3.43                | 24.74                |
| 4  | ABSA            | 9126643503   | 244 800.07           | 17 880.20         | 0.00                 | 0.00             | 262 680.27           | 1 441.50            | 16 284.17            |
| 5  | NEDBANK         | 7065000036   | 23 548 478.60        | 1 604 156.31      | 0.00                 | 0.00             | 25 152 634.91        | 108 535.34          | 1 502 672.05         |
| 6  | ABSA            | 4067021033   | 347 307.93           | 3 840.66          | -343 681.20          | 0.00             | 7 467.39             | 12.28               | 2 143.10             |
| 7  | FNB             | 71093408436  | 228 465.70           | 28 269.90         | 0.00                 | 0.00             | 256 735.60           | 13 849.44           | 5 175.09             |
| 8  | ABSA            | 9138622959   | 46 255.19            | 3 378.46          | 0.00                 | 0.00             | 49 633.65            | 0.00                | 3 076.89             |
| 9  | ABSA            | 2057750696   | 360000.00            | 0.00              | 0.00                 | 0.00             | 360 000.00           | 0.00                | 25164.00             |
| 10 | SWK SHARES WOLM |              | 7 433.00             | 0.00              | 0.00                 | 0.00             | 7 433.00             | 0.00                | 0.00                 |
| 11 | SWK SHARES LDS  | 0            | 9 051.00             | 0.00              | 0.00                 | 0.00             | 9 051.00             | 0.00                | 0.00                 |
| 12 | SWK SHARES MQ   | 0            | 5 510.00             | 0.00              | 0.00                 | 0.00             | 5 510.00             | 0.00                | 0.00                 |
| 13 | ABSA            | 2048670504   | 3 733.65             | 423.77            | 0.00                 | 0.00             | 4 157.42             | 0.00                | 267.49               |
| 14 | ABSA            | 2045602798   | 13 285.08            | 989.52            | 0.00                 | 0.00             | 14 274.60            | 0.00                | 989.52               |
| 15 | NEDBANK         | 1741408156   | -129.16              | 0.00              | 0.00                 | 129.16           | 0.00                 | 0.00                | 0.00                 |
| 16 | 00              |              | 0.00                 | 0.00              | 0.00                 | 0.00             | 0.00                 | 0.00                | 0.00                 |
| 17 | 00              |              | 0.00                 | 0.00              | 0.00                 | 0.00             | 0.00                 | 0.00                | 0.00                 |
| 45 | 00              |              | 0.00                 | 0.00              | 0.00                 | 0.00             | 0.00                 | 0.00                | 0.00                 |
| 46 | 00              |              | 0.00                 | 0.00              | 0.00                 | 0.00             | 0.00                 | 0.00                | 0.00                 |
| 47 | 00              |              | 0.00                 | 0.00              | 0.00                 | 0.00             | 0.00                 | 0.00                | 0.00                 |
|    |                 |              |                      |                   |                      |                  | 0.00                 |                     |                      |
|    | <b>TOTALS</b>   |              | <b>26 819 033.77</b> | <b>7465451.33</b> | <b>-5 401 002.42</b> | <b>-2 750.19</b> | <b>28 880 732.49</b> | <b>131 708.27</b>   | <b>1 710 818.01</b>  |

| Balance as at<br>30-Jun-10 |
|----------------------------|
|                            |
| 2 824 122.12               |
| 79 335.82                  |
| 2 742.41                   |
| 278 964.44                 |
| 26 655 306.96              |
| 9 610.49                   |
| 261 910.69                 |
| 52 710.54                  |
| 385 164.00                 |
| 7 433.00                   |
| 9 051.00                   |
| 5 510.00                   |
| 4 424.91                   |
| 15 264.12                  |
| 0.00                       |
| 0.00                       |
| 0.00                       |
| 0.00                       |
| 0.00                       |
| 0.00                       |
| 0.00                       |
| 0.00                       |
| <b>30 591 550.50</b>       |